

DOCUMENT RESUME

ED 118 322

RC 008 997

TITLE Farmworkers in Rural America, 1971-1972: Part 2, Who Owns the Land? Hearings Before the Subcommittee on Migratory Labor of the Committee on Labor and Public Welfare, United States Senate, 92nd Congress, 1st and 2d Sessions, November 5, 1971.

INSTITUTION Congress of the U.S., Washington, D.C. Senate Committee on Labor and Public Welfare.

PUB DATE 72

NOTE 372p.; Not available in hard copy due to marginal legibility of original document

EDRS PRICE MF-\$0.83 Plus Postage. HC Not Available from EDRS.

DESCRIPTORS *Agribusiness; *Agricultural Laborers; Agricultural Trends; Economic Disadvantage; *Economic Factors; History; *Land Use; Migrant Workers; *Rural Areas; Rural Development; Rural Farm Residents

ABSTRACT

On November 5, 1971, the subcommittee heard testimony on the: (1) history of land ownership in rural America, (2) extent of corporate and conglomerate involvement in rural America and the resulting economic consequences, and (3) impact of the large vertically and horizontally integrated corporations and conglomerates on the well-being of rural America. Witnesses included the U.S. Senator from Wisconsin, a history professor from the University of Kansas, the director of the National Farmers Organization's Washington staff, the assistant director of the National Farmers Union's Legislative Service, and a professor from the Department of Agricultural and Applied Economics at the University of Minnesota. Additional information included such articles and reports as: (1) "Sixteen Major Questions To Be Considered by the Subcommittee on Monopoly of the Senate Select Committee on Small Business"; (2) "Final Summary Report, The Pennsylvania Panel on Rural Poverty"; (3) "Impact of Corporate Farming on Small Business" (the Senate Select Committee on Small Business' report); (4) "Questions and Answers on Environmental Pollution Related to Livestock Production"; (5) an excerpt from the Session Laws of the State of Minnesota; (6) "The Corporate Invasion of American Agriculture" (by the National Farmers Union's public relations director); and (7) "U.S. Policy Handcuffs Small Farmers." (NQ)

* Documents acquired by ERIC include many informal unpublished *
* materials not available from other sources. ERIC makes every effort *
* to obtain the best copy available. Nevertheless, items of marginal *
* reproducibility are often encountered and this affects the quality *
* of the microfiche and hardcopy reproductions ERIC makes available *
* via the ERIC Document Reproduction Service (EDRS). EDRS is not *
* responsible for the quality of the original document. Reproductions *
* supplied by EDRS are the best that can be made from the original. *

ED118322

FARMWORKERS IN RURAL AMERICA, 1971-1972

HEARING BEFORE THE SUBCOMMITTEE ON MIGRATORY LABOR OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE NINETY-SECOND CONGRESS FIRST AND SECOND SESSIONS ON WHO OWNS THE LAND?

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

NOVEMBER 5, 1971

PART 2

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.



Printed for the use of the
Committee on Labor and Public Welfare

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1972

69-133 O

BEST COPY AVAILABLE

PC008997

COMMITTEE ON LABOR AND PUBLIC WELFARE

HARRISON A. WILLIAMS, Jr., New Jersey, *Chairman*

JENNINGS RANDOLPH, West Virginia
CLAIBORNE PELL, Rhode Island
EDWARD M. KENNEDY, Massachusetts
GAYLORD NELSON, Wisconsin
WALTER F. MONDALE, Minnesota
THOMAS F. EAGLETON, Missouri
ALAN CRANSTON, California
HAROLD E. HUGHES, Iowa
ADLAI E. STEVENSON III, Illinois

JACOB K. JAVITS, New York
PETER H. DOMINICK, Colorado
RICHARD S. SCHWEIKER, Pennsylvania
BOB PACKWOOD, Oregon
ROBERT TAFT, Jr., Ohio
J. GLENN BEALL, Jr., Maryland
ROBERT T. STAFFORD, Vermont

STEWART E. MCCLURE, *Staff Director*

ROBERT E. NAGLE, *General Counsel*

ROY H. MILLENBOM, *Minority Staff Director*

EUGENE MITTELMAN, *Minority Counsel*

SUBCOMMITTEE ON MIGRATORY LABOR

ADLAI E. STEVENSON III, Illinois, *Chairman*

HARRISON A. WILLIAMS, Jr., New Jersey
WALTER F. MONDALE, Minnesota
EDWARD M. KENNEDY, Massachusetts
HAROLD E. HUGHES, Iowa

ROBERT TAFT, Jr., Ohio
J. GLENN BEALL, Jr., Maryland
JACOB K. JAVITS, New York

BORIS CHERTKOV, *Counsel*

EUGENE MITTELMAN, *Minority Counsel*

(II)

FORMAT OF HEARINGS ON FARMWORKERS IN RURAL AMERICA

The Subcommittee on Migratory Labor conducted public hearings in Washington, D.C., and in San Francisco and Fresno, Calif., during the 92d Congress on "Farmworkers in Rural America." These hearings are contained in the following parts:

<i>Subject matter</i>	<i>Hearings dates</i>
Part 1: Farmworkers in Rural Poverty-----	July 22, September 21 and 22, 1971.
Part 2: Who Owns the Land?-----	November 5, 1971.
Part 3: Land Ownership, Use, and Distribution:	
A. San Francisco-----	January 11, 1972.
B. Fresno-----	January 12, 1972.
C. San Francisco-----	January 13, 1972.
Part 4: Role of Land-Grant Colleges:	
A-----	June 19, 1972.
B-----	June 20, 1972.
Part 5: Appendix: A and B.	

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

FRIDAY, NOVEMBER 5, 1971

Nelson, Hon. Gaylord, a U.S. Senator from the State of Wisconsin, accompanied by Raymond D. Watts, counsel, Senate Committee on Small Business	Page 300
Gates, Paul Wallace, professor of History, University of Kansas, Lawrence, Kans.	391
Frazier, Charles, director, Washington Staff, National Farmers Organization	405
Barton, Weldon, assistant director of Legislative Service, National Farmers Union, Washington, D.C.	427
Raup, Philip M., professor, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul, Minn.	584

STATEMENTS

Barton, Weldon, assistant director of Legislative Service, National Farmers Union, Washington, D.C.	427
Frazier, Charles, director, Washington Staff, National Farmers Organization	405
Gates, Paul Wallace, professor of History, University of Kansas, Lawrence, Kans.	391
Nelson, Hon. Gaylord, a U.S. Senator from the State of Wisconsin, accompanied by Raymond D. Watts, counsel, Senate Committee on Small Business	300
Prepared statement	343
Raup, Philip M., professor, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul, Minn.	584
Prepared statement	605
Watson, Raymond J., president, Illinois Farmers Union, prepared statement	577

ADDITIONAL INFORMATION

Articles, publications, etc.:	
"Agribusiness Threatens Family Farm," by Nick Kotz, Washington Post Staff Reporter	
"Conglomerates Reshape Food Supply," by Nick Kotz, Washington Post Staff Reporter, from the Congressional Record—Senate, October 12, 1971	400
"Final Summary Report, The Pennsylvania Panel on Rural Poverty," by the Bureau of Research and Program Development, Department of Community Affairs, Commonwealth of Pennsylvania	625
"Impact of Corporate Farming on Small Business," S. Rept. 91-628, report of the Senate Select Committee on Small Business	346
"Questions and Answers on Environmental Pollution Related to Livestock Production," by Carl A. Hagen, analyst in environmental policy, Congressional Research Service, Library of Congress	541
Session Laws of the State of Minnesota, excerpt from	595
"Sixteen Major Questions To Be Considered by the Subcommittee," hearings on corporate secrecy before the Subcommittee on Monopoly of the Senate Select Committee on Small Business	304
"The Corporate Invasion of American Agriculture," by Victor K. Ray, director of public relations, National Farmers Union	432
"U.S. Policy Handcuffs Small Farmer," by Nick Kotz, Washington Post Staff Reporter	418

(V)

page IV is blank

Communications to:	Page
Stevenson, Hon. Adlai, E., III, a U.S. Senator from the State of Illinois, from:	
Kuhfuss, William J., president, American Farm Bureau Federation, November 1, 1971 (with enclosure)-----	380
Wilcox, William H., secretary, Department of Community Affairs, Commonwealth of Pennsylvania, Harrisburg, Pa., with enclosure, December 8, 1971-----	624
Selected tables:	
Farms in excess of 2,000 acres-----	396

FARMWORKERS IN RURAL AMERICA, 1971-1972

(Who Owns the Land?)

FRIDAY, NOVEMBER 5, 1971

U.S. SENATE,
SUBCOMMITTEE ON MIGRATORY LABOR
OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 4232, New Senate Office Building, Senator Adlai E. Stevenson III (chairman of the subcommittee) presiding.

Present: Senators Stevenson and Hughes.

Staff members present: Boren Chertkov, subcommittee counsel; and Eugene Mittelman, minority counsel.

Senator STEVENSON. The subcommittee will come to order.

This morning we continue our hearings on landownership and patterns of landownership in the country.

Both Senator Hughes and I have statements that we would like to make for the record, but in the interest of saving the time of our first witness we will defer those statements until a later time.

We are very honored to have as our first witness this morning our colleague who has probably worked more on the issues that concern us today than any other American, the Honorable Gaylord Nelson of Wisconsin. He is a member of the Senate Labor and Public Welfare Committee. He has served on this subcommittee, the Migratory Labor Subcommittee, and he therefore has a firsthand knowledge of the Nation's farm labor problems.

Most significant, perhaps, is his unwavering commitment to the preservation of our environment, the air, the water, and our land. He was probably the first in the U.S. Senate to clearly perceive how crucial landownership and use is, and has conducted his own hearings on the implications of corporate farming.

Next week he is beginning a study, as chairman of the Monopoly Subcommittee of the Small Business Committee, into corporate secrecy.

One of the reasons we must ask who owns the land is that we simply don't know, and we don't know in part because of corporate secrecy.

Senator Nelson, we are very grateful to you for appearing here this morning.

(200)

**STATEMENT OF HON. GAYLORD NELSON, A U.S. SENATOR FROM
THE STATE OF WISCONSIN, ACCOMPANIED BY RAYMOND D.
WATTS, COUNSEL, SENATE SMALL BUSINESS COMMITTEE**

Senator NELSON. Thank you, Mr. Chairman.

I do have a Finance Committee executive session which is meeting on the President's tax proposals and I have some amendments pending. That is why I asked if I could proceed right away.

Mr. Chairman, not long ago the proud products of rural America were good food and fiber, free men and women, and healthy children with happy futures. There were, of course, exceptions. The picture had some ugly blemishes. Still, the ideal and in large measure the attainment were there to raise all those products on the American land; the food, the fiber, and the strong, free people.

Tragic changes have occurred, and are occurring. Today, from the vantage point of many big city mayors, the most consequential shipment from rural to urban America is poor people for the welfare rolls. From the vantage point of smalltown mayors, the same shipments mean that once prosperous communities face decay and despair.

There are many and complex causes for this American tragedy, which is still building and even accelerating. But the largest cause, I think, is the development policies that have equated goodness with bigness, quality with size. These policies have led to the emergence of giant corporations as the dominant force in manufacturing, and a significant and dominant force in the political and social structure of this country. Unless the policies are dramatically reevaluated and changed, they will lead to like dominance of agriculture.

It is something that should not be permitted.

As the percentage of everything that is owned by giant corporations goes up, the share that is left over for everyone else has no place to go but down.

The figures on the shifts of asset ownership in manufacturing are available and familiar. The 200 largest corporations in the last 20 years have increased their share of all manufacturing company assets from under 50 percent to about 60 percent. That means the share of everyone else in that sector has gone down from well over 50 percent to not much over 40 percent.

Now the giant corporations are moving into agriculture and gobbling up the land. There is no way, of course, to make the total supply of land grow, and the ways that are being used to expand the use of lands for agriculture involve ecological and social costs not yet sufficiently calculated and understood. Indeed, the evidence is growing that economic growth itself is more a problem than a solution.

I return to my first thought: our land should be used to cultivate not just food and fiber, but a good culture and a happy, healthy populace. To do that, we must find ways to keep people productively and happily on the land, and reverse the forces that are driving them off. One of the forces is the movement of giant corporations into farming.

The Senate Small Business Subcommittee on Monopoly, which it is my privilege to chair, has been concerned with corporation farming for several years. At least some of the causes for this alarming development were suggested by an interim report, Senate Report 91-628, is-

sued by the Senate Small Business Committee, following 1968 field hearings by the subcommittee. I shall mention a few.

The Federal tax structure is a cause. Giant corporations are permitted to enter agriculture as a sideline. The objectives of the sideline may well be more to make low-taxed capital gains in land speculation, and to reduce income taxes on profits earned in other lines, than to make a profit in farming.

The policies and the value system of the Agriculture Department are a cause. Agricultural research financed with taxpayer dollars is too often aimed at ways to make farms bigger, rather than ways to make small farms sustain families in dignity and reasonable standards. Nick Kotz, in his recent fine articles in the Washington Post, has reemphasized this point. He tells us that the Department would apparently rather finance development of a new, tough strawberry that can be harvested by machine than a strawberry that tastes better or is more nutritious. This is the same Department, Kotz tells us, that has given little or no comfort and aid to a small, new cooperative organized by former migrant laborers to get into the strawberry cultivation business themselves.

Lax administration—or total ignoring—of laws passed by Congress to help small farmers is a cause. The total abdication of the statutory limitation on irrigated acreage that may be in one's ownership—although Congress has never repealed the law—is an outstanding example. Failure of the Government to make bold and imaginative use of the antitrust laws is another.

The lack of Federal legislation in areas where it is obviously needed is a cause. Strong evidence at the Monopoly Subcommittee's 1968 hearings suggested the need for laws to limit the use of underground water for irrigation to the amounts normally restored to these aquifers by natural recharge. That would stop the practice of "mining" of the aquifers by the corporation farms.

I might point out that this is, I think, a critical problem. Out in Central Valley, Calif., I conducted hearings a few years ago on the Central Valley reclamation project. Some 20 years ago, or thereabouts, the water level was 60 feet. Small farmers who farmed there could pump water for irrigation efficiently. Several huge corporations owning 50,000, 75,000 to 100,000 acres in the Central Valley started irrigating heavily and pulled the water table down some 600 feet—I will correct the figure for the record. I think it is 600 feet*—until they ran into what was called a corcoran clay.

Finally, they got down to 1,200 feet and were drawing brackish water. Of course they had increased the cost for all small farmers to irrigate. They had mined one of the great aquifers in the country and they came to Congress and asked for a reclamation project for irrigation. And Congress has authorized and is appropriating the money for a \$500 million reclamation project to produce water for irrigation, one of the purposes of which is to allow the seepage of that water to raise the water table from that 1,200-foot level on up higher.

The same thing is happening to that great aquifer, the Ogallala Basin, an underground reservoir underlying parts of Nebraska, Colo-

*The figures have been checked and are correct. (Note supplied by Senator Nelson.)

rado, Kansas, Oklahoma, and Texas. Much of that area is being heavily irrigated now. In Texas, water table levels have been lowered by irrigation several hundred feet.

This is a natural resource, a national asset, that ought to be controlled by the Government, and nobody should be permitted to reduce an aquifer below the level to which it will be naturally recharged by the infusion of water.

Now, another big cause of our rural troubles is that public and congressional knowledge of developments is not keeping up with the pace of developments. That problem is one the giant corporations don't want solved. Indeed, they are helping to perpetuate it because they benefit from it. The Monopoly Subcommittee for many years has been concerned with the problem of corporate secrecy, not alone in agriculture but in all economic sectors. Our attack on the problem, begun in 1968, will be renewed next week, when we reopen hearings on the role of giant corporations in the economy, with corporate secrecy the express focus. On November 23 our exploration of the impacts of corporate giantism and corporate secrecy in agriculture will resume.

Sixteen questions about seven different types of corporate secrecy will be studied by the subcommittee during these hearings. The 16 questions and the seven types were listed in the Congressional Record of October 15, 1971, at page S16313.

For purposes of the hearings, the term "corporate secrecy" is defined as the conscious, deliberate withholding from the public of valuable information possessed by corporate management. Of the seven main types of information so withheld, the first two have particular importance to studies of corporation farming. They are: (1) financial information about the separate organizational, industrial, and geographical segments of the business, and the interrelationships of the segments; and (2) information on industrial and natural resources ownership and control.

An example of the first type of information would be the profits or losses realized, State by State, in the tractor business, the feed business and the farming business of a giant conglomerate engaged in all those businesses, plus oil and others.

An example of the second type of information would be the land ownership and control, State by State and county by county, of a giant corporation engaged in various kinds of agricultural, mining and other uses of land.

It is interesting but hardly surprising that this subcommittee, starting out from a base of concern for migrant labor, has ended up on the same doorstep as the Monopoly Subcommittee, which started out from a base of concern about small business. It is, of course, the doorstep of the giant corporations. In this country, it seems that many of the large problems lead there. But here our two subcommittees are up against the same question: secrecy of giant corporations about their ownership of land.

Given present budget and staff limitations, it is probable that any single Senate subcommittee—and perhaps the whole Senate—will encounter difficulty, to say the least, in getting helpful answers from the corporate giants. Consequently, it is with pleasure that I note that the Monopoly Subcommittee's efforts to bring down the veils of secrecy

surrounding all areas of corporate power will be supplemented by this subcommittee's efforts to add to the public's knowledge about land ownership by the agribusiness conglomerates.

It is entirely predictable that the corporate giants will wrap themselves in the mantles of free enterprise and business privacy when we ask them for even the broadest kinds of land ownership and segmental financial information—say at the three-digit levels of the Standard Industrial Classification (SIC) system. But I predict that, before the Monopoly Subcommittee's hearings are over, we shall have demonstrated that the public is entitled to disclosure at the seven-digit level and even below, from some of the largest corporations at least, if this country is to restore a competitive market system in certain industries where it has long been dead or dying.

It is often repeated that knowledge is power. Less often recalled, perhaps, are some words of Daniel Webster about power.

"Power naturally and necessarily follows property," the great statesman and orator told the Massachusetts Convention in 1820. And he went on, a little later in the same speech to observe: "In the nature of things, those who have no property and see their neighbors possess much more than they think them to need, cannot be favorable to laws made for the protection of property."

It seems that today too many of the laws are for the protection of the property of the largest economic factors, and increasingly less protective of the smaller. I am glad that our two subcommittees will be working along complementary lines to increase our store of information, now sadly lacking, on corporate land ownership. Together we can perhaps do more than twice as much as we could each do separately, and it is surely true that we both need all the help we can get.

Mr. Chairman, that concludes my statement, and I thank you for the opportunity of presenting it. If you like, I will submit my subcommittee's "16 questions" and a working paper discussing the first three of those 16 questions for inclusion in the record.

(The information referred to follows):

HEARINGS ON CORPORATE SECRECY

BEFORE THE

SUBCOMMITTEE ON MONOPOLY

OF THE

SELECT COMMITTEE ON SMALL BUSINESS, UNITED STATES SENATE

SIXTEEN MAJOR QUESTIONS TO BE CONSIDERED BY THE SUBCOMMITTEEA. Nature and dimensions of corporate secrecy.

Question 1. What is meant by the term "corporate secrecy"?

Question 2. What are the principal aspects and types of corporate secrecy?

Question 3. What are the economic and social purposes, benefits, costs and implications of corporate secrecy, from the viewpoints of giant corporations, small businesses, consumers, farmers, inventors, investors, economists, scholars, labor, regulatory agencies concerned with such matters as fair pricing and the protection of the environment, and other groups in the society?

B. Regular and routine corporate information disclosure today.

Question 4. What kinds and quantities of information are the giant corporations furnishing to the public, to government, or to both today--

(a) through their published annual reports and voluntary disclosures to private directories and various business and investor publications?

(b) through required filings with various agencies of Federal, State and local government?

Question 5. How accessible or inaccessible to the public is the information previously filed and currently being filed by giant corporations with the various agencies of government?

SIXTEEN MAJOR QUESTIONS

Page 2

Question 6. What problems of comparability and comprehensibility exist in using corporate information filed with government?

C. Irregular and occasional corporate information disclosure.

Question 7. What kinds of information about giant corporations have come into the public domain through other than routine sources, such as--

- (a) public records of litigation in Federal and State courts?
- (b) Congressional hearings records?
- (c) revelations of corporate insiders and former insiders?

Question 8. How can the small businessman and small farmer (and their lawyers), the small investor (and his market analyst or mutual fund), the working man (and his trade union), the consumer (and his public advocates), and all the other interested persons find--and use--the information that is technically "available"--but deeply buried--in these obscure, immense and labyrinthine sources?

Question 9. How can the groups mentioned in Question 8 themselves employ these special and occasional agencies--the courts, the Congress, corporate "whistle blowers"--to cause corporate giants to disclose further information?

D. Routine corporate NOW-disclosure today: proper and improper areas of secrecy.

Question 10. What kinds of information from and about giant corporations should be but are not today routinely available to the public, in a systematic, accessible form?

Question 11. What kinds of information are giant corporations today furnishing to government agencies (and to what government agencies) "in confidence"--that is, with a promise from the government that the public will have no access to it?

Question 12. What are the proper purposes, scope and limitations of confidential treatment for corporate disclosures to government agencies?

SIXTEEN MAJOR QUESTIONS

Page 3

Question 13. What are the legitimate, defensible purposes and areas of corporate secrecy? How much and what kinds of corporate information quite properly should be withheld--

(a) from the public at large but not from government?

(b) from everyone outside the company, including government?

E. Areas for administrative improvement.

Question 14. Which government agencies, under existing statutory authority, could do a better job of collecting and publishing information from and about giant corporations? How?

F. Areas for legislative improvement.

Question 15. What existing legislation impairs or impedes disclosure of information about giant corporations that should be in the public domain but is not?

Question 16. What existing legislation should be amended or repealed, and what new legislation should be considered and enacted, to cause information about giant corporations to come into the public domain in more adequate quantity and quality and in more accessible forms and places?

Washington

August 1971

Working Paper A

THE NATURE AND DIMENSIONS OF CORPORATE SECRECY

The Subcommittee's Major Questions 1 through 3: Discussion, Theories,
and Some Further Questions *Question 1. What is meant by the term "corporate secrecy"?

As used here, "corporate secrecy" means the conscious, deliberate withholding from the public, for whatever reasons, of valuable information possessed by corporate management. Unless you say more than that, you cannot say that corporate secrecy is "good" or "bad." Some types of corporate secrecy serve useful economic and social ends. Other types do not. Also, the same type of corporate secrecy may be "good" in one context and "bad" in another. For example, it may be proper and even desirable for small, simple corporations to keep to themselves certain kinds of information, while it would be undesirable for giant, complex corporations to keep the same kind of information secret. One theory the hearings * will explore is that, as things often work out today, the actual situation is just the reverse: small business must live in a goldfish

* This working paper was prepared by Senator Gaylord Nelson, Chairman, Subcommittee on Monopoly of the Senate Small Business Committee, with the assistance of the subcommittee staff. It is intended to serve as an aid to discussion at hearings on Corporate Secrecy. This paper has not been approved or disapproved by other members of the subcommittee or full committee and should not, therefore, be read as necessarily reflecting the views of either. (Footnotes are at the end of the paper.)

Page 2

bowl, while big business successfully hides from the public information that should be freely available to help competitive capitalism work better for all the people.

Question 2. What are the principal aspects and types of corporate secrecy?

As these hearings begin, the Subcommittee will be thinking about the policies and practices of giant corporations in concealing or disclosing seven types of valuable information. They are:

(1) Financial information about the separate organizational, industrial and geographical segments of the business, and the inter-relationships of the segments;

(2) Information on industrial and natural resources ownership and control;

(3) Product information needed by or valuable to consumers;

(4) Information on new discoveries, and on how and why decisions are made to put on the market or withhold from the market new products and technology;

(5) Information about government procurement and government contracts;

(6) Environmental impact information; and

(7) Information on employment policies and working conditions.

Page 3

Obviously it will be a hard job and take a long time to look into all those areas of corporate secrecy. In the first phase of the hearings--a phase that may take a year or more--the subcommittee will be primarily concerned only with the first two, although we will not prevent witnesses from offering testimony on any others, including areas not even mentioned in this list.

(Question 2-1. In addition to the seven listed in "Working Paper A," what other aspects and types of corporate secrecy deserve Congressional consideration?)

But in this paper the remaining discussion will be limited to the subject of concealment and disclosure by giant corporations of the financial aspects of their operations. The main--and staggeringly large--questions are:

(Question 2-2.) What are the giant corporations' investments, costs, profits and losses, itemized along recognizable, comparable organizational, industrial and geographical lines?

(Question 2-3.) What do the giant corporations own, in the way of industrial and natural resources?

(Question 2-4.) And who owns the giant corporations? There should be no illusions--we have none--that one Senate subcommittee, with a tiny budget and staff, is going to come up with

Page 4

very many previously unknown answers to questions such as those, although we shall surely try. It will be cause for pride if even a few of the nuggets of valuable knowledge, now stubbornly concealed, are unearthed.

Rather, the objective and hope are to make a record that will show how large the areas of secrecy are. That, in turn, may assist the Congress in making judgments on how much of the business secrecy--now practiced and defended in the name of free enterprise--is actually harmful to free enterprise, small business, and the general public. Finally, the record may show what can and must be done to move the country toward a wider, more equitable sharing of industrial information, to the benefit of both economic and political freedom.

Our ultimate aim is to restore force and meaning to the proud American claims, now dubious, that ours is an open society and a competitive system.

Question 3. What are the economic and social purposes, benefits, costs and implications of corporate secrecy, from various viewpoints?

Remarks of two witnesses at separate Senate subcommittee hearings in recent years illustrate the way the same kind of

Page 5

secrecy--or disclosure--can look good or bad, depending on the point of view.

Auto Manufacturers' Viewpoint: Secrecy Beneficial, Disclosure Harmful.

In 1969, testifying before this subcommittee, the president of the Automobile Manufacturers Association said:

The disclosure of detailed financial data by a company would enable competitors to determine its points of weakness and strength. The competitors could then avoid a competitor's strengths and exploit his weaknesses. Detailed knowledge of a competitor's cost and profit data would, for example, assist a manufacturer in making decisions about his own production of a competitive unit. Accounting methods and procedures themselves are considered important managerial tools and proprietary in nature; release of detailed data through which these methods and procedures could be revealed would be, in my opinion, undesirable. 1/

Federal Trade Commission's Viewpoint: Secrecy Harmful, Disclosure Beneficial.

In 1970, testifying before the Senate Judiciary Subcommittee on Antitrust and Monopoly, the chairman of the Federal Trade Commission said:

In a market economy, the response of businessmen and investors to profit opportunities critically determines the rational allocation of resources. In recent years as more industries have come under the control of conglomerates, profit information on a product basis has become progressively less available. We recommend that the SEC in consultation with the FTC be directed to expand its product line reporting requirements for multiproduct firms. 2/

Page 6

In other words, it almost certainly is not good, from its own viewpoint, for a giant manufacturing company to let the public (and thereby its competitors) know that it is realizing a 75 percent return on investment in a particular product line-- let's say, for hypothetical example, golf carts. But just as certainly, it is good for the competitive process and the consumers of golf carts for the word to get around. As the FTC chairman noted, "the response of businessmen and investors to profit opportunities" suggested by the knowledge that one company is making a 75 percent return on its investment in golf cart manufacturing would result in a "rational allocation of resources" by other profit seekers, who would rush to invest in that industry, thereby increasing supplies of--and competition in-- golf carts; thereby, in all probability, bringing the prices and profits down to more normal and reasonable levels. ^{1/} But from the AMA president's viewpoint, and the successful company's, news of the killing in golf carts should be carefully concealed by burying the cost and profit data for that product line in a mass of consolidated figures, to avoid revealing anything meaningful that a competitor could "exploit." Among the meaningful things thus to be concealed are bits of information that might tip off competitors (or, perhaps, the tax and antitrust authorities) about "proprietary" accounting systems.

Page 7

The FTC chairman wanted this clear and possibly irreconcilable conflict between the public and corporate interests to be resolved in the public's favor. He recommended

that the SEC in consultation with the FTC be directed to expand its product line reporting requirements for multiproduct firms.

Some idea of the extent to which that excellent recommendation has been carried out thus far may be obtained by considering two examples, one hypothetical and one actual. The hypothetical example relates to progress at the SEC and the actual example to progress at the FTC in the expansion of "product line reporting requirements for multiproduct firms."

The SEC, Form 10-K, and Two Golf Cart Manufacturers.

Let us first consider the impact of present (recently revised and improved) SEC reporting requirements on two imaginary firms, Company A and Company B, each of which, in 1970, had sales of golf carts amounting to \$2.7 million. (Golf carts, it may here usefully be noted, are classified by the Bureau of the Census as one of seven product lines of an industry group styled "Motorcycles, bicycles and parts.")

Company A manufactures a fairly complete line of "Motorcycles, bicycles and parts," and nothing else. Its 1970 sales

Page 8

totalled \$17 million. Golf carts accounted for 16 percent of total sales and (because they were quite profitable), 22 percent of total company profits. Company A, in 1970, realized 4 percent on its sales over-all. It has always reported only consolidated sales, costs and profits in its annual reports to its stockholders and the SEC; but an attorney-examiner for the SEC is now strongly suggesting that, pursuant to Item 1(c)(2) of the annual report form, Form 10-K as recently amended, Company A should itemize the contributions to sales, separately, made by the following "classes of similar products": (1) motorcycles, (2) bicycles, (3) golf carts, and (4) parts for motorcycles, bicycles and golf carts. If it doesn't like that, the examiner says, Company A could elect instead, under Item 1(c)(1), to report separately the contributions to sales, profits and losses made by each of the following two "lines of business": (1) motorcycles, bicycles and parts, and (2) golf carts and parts. The examiner asks whether it is not true that, in 1970, each of those four product lines contributed 15 percent or more to total sales, and each of those two "lines of business" contributed 15 percent or more to either total sales, total profits or total losses. The company admits both statements are true. Therefore, the examiner says, the amended Form 10-K, Item 1(c) requires that Company A report separately as

(The next page is Page 8A.)

suggested, one way or the other. The company wants to resist this; but its lawyer tells it that, if the SEC insists, the present law would probably sustain the examiner in requiring the disclosure he wants.

Company B also manufactures a fairly complete line of "Motorcycler, bicycles and parts," including golf carts, and its sales in that industrial line amounted to \$17 million in 1970. But, in Company B's case, \$17 million was something under 1 percent of total company sales (\$1.9 billion) and less than 10 percent of total

sales of "Transportation equipment" amounting to \$180 million. Company B's sales of golf carts also happened to be identical to those of Company A: \$2.7 million; but, partially because of purchasing and marketing leverages attributable to its great size, Company B's golf cart sales accounted for 29 percent of its total profits in its "Motorcycles, bicycles and parts" line of business, compared to 22 percent in Company A. However, in its annual reports to stockholders and the SEC, Company B elected to consolidate all financial data pertaining to the "Motorcycles, bicycles and parts" line into another, larger line of business, selected, defined and named by itself: "Consumer durables." Another substantial part of Company B's financial data on products which it reports to the Census Bureau under standard subheadings of the standard industrial classification, "Transportation equipment," it consolidates in its annual reports within another line of business selected, defined and named by itself: "Industrial machinery and supplies." Company B reported to the SEC and the public 1970 sales of \$210 million and profits of \$15.8 million in "Consumer durables" and sales of \$350 million and a loss of \$1.2 million in "Industrial machinery and supplies." Over-all, Company B reported a return of 4 percent on sales, a performance identical to Company A's. An attorney-examiner at the SEC suggested to Company B's comptroller that it might make more sense to break out and report separately

Page 10

"Transportation equipment" as a line of business. Company B politely but firmly declined, pointing out that "Transportation equipment" is not, in its accounting scheme of things, a regular, recognized "profit center," and, besides, as a line of business "Transportation equipment" did not account for 10 percent of sales, profits or losses; therefore, it is not required to be itemized. (See Item 1(c)(1) of Form 10-K, as amended.) The company's general counsel assured the SEC that Company B would go to the Supreme Court before it would submit to the examiner's suggestion.

Small Business Viewpoint: Secrecy Gives Big Business Competitor an Edge.

If you were the president of Company A in the foregoing hypothetical, you would probably feel that the SEC's disclosure requirements were giving your giant competitor an important edge on you, in the realm of information, wholly unrelated to any natural or earned market position.

The real world conforms to this imaginary example. At a symposium on public reporting by conglomerates, held at Tulane University in 1968, Dr. David Solomons, professor of accounting at the Wharton School, told the Maytag story:

A grave inequity is perpetrated by not requiring the reporting of segmental results, for companies making a narrow line of products may feel at a disadvantage

Page 11

compared with more diversified companies. A good example is Maytag, specializing in home laundry equipment. Its principal competitors are no more than subdivisions of the major appliance divisions of companies like General Electric, Westinghouse, and the Frigidaire Division of General Motors. Maytag's results are of considerable interest to the home laundry subdivisions of these companies, whereas Maytag can learn little from its competitor's accounts. 4/

Organized Labor Viewpoint: Secrecy Gives Management an Unfair Advantage.

The same advantages of secrecy--or disadvantages, depending on perspective--apply in labor negotiations. The union may suspect that great profits are being made in Company B's golf cart plant and that those profits stem, in part, from labor productivity gains, in the benefits of which labor should share. But if the union cannot get access to the company's records of sales, costs, profits and losses at any level lower than the immense and arbitrary "Consumer durables" line, it can neither confirm nor disprove its suspicion. The company's negotiators, of course, will tell the golf cart plant workers that labor costs are high and labor productivity only so-so in B's "Consumer durables" operations. To arrive at those numbers, to be sure, Company B will have "consolidated"--or averaged--the outstanding labor productivity results in the golf cart plant with the abominable results in another "Consumer durables" plant in another state--a plant making washing machines. But when the union

asks for the separate data on the golf cart and washing machine factories, they are told that that is top-secret, proprietary information, the disclosure of which would endanger the job security of every worker in the company's employ. Conclusion of the bargaining: "Sorry, fellows and girls, you 'Consumer durables' workers will just have to get your productivity up before we can get you a raise."

Some further questions.

This tale of the two "Motorcycles, bicycles and parts" manufacturers suggests at least the following additional questions:

(Question 3-1.) Given the application of present SEC line-of-business reporting requirements, just revealed, to two companies each making sales of \$2.7 million a year in golf carts and also making other sales of other items, should the disclosure requirements for either Company A or Company B, or for both companies, be changed? In what way? ^{5/}

(Question 3-2.) Is there some quantitative measure or benchmark of a company's size, diversification, or both, below which its segregated sales, cost and profit information about a particular product or line of products should be deemed properly proprietary, and above which the corresponding information should be deemed appropriate for itemized public disclosure?

Page 13

(Question 3-3.) Are there significant policy and conceptual problems involved in reconciling--

(a) the idea of "generally accepted accounting principles," the time-honored term familiar to all readers of CPA certifications of corporate financial statements,

with--

(b) the idea of "accounting methods and procedures [which] themselves are considered important managerial tools and proprietary in nature," the bold concept advanced in the Automobile Manufacturers Association's forthright defense of corporate secrecy, quoted above?

The FTC, the QFR, and the Strange Case of Ling-Temco-Vought.

Others who are disserved and disadvantaged by the consolidation of financial and operating statistics of giant corporations are all the groups that use Federal statistical services for industrial analysis. Here an actual rather than hypothetical example can illustrate the nature and dimensions of problems that are now pervasive.

Since 1947, the Federal Trade Commission and the Securities and Exchange Commission have jointly compiled data for and published a statistical reporting service called the Quarterly Financial Report for Manufacturing Corporations, widely ^{6/}and familiarly known

as "the QFR". This publication purports to give quarterly data on sales, costs and expenses, net profit from operations, other income or deductions (net), net profit before and after Federal income taxes, depreciation and depletion, and several balance sheet items. Separate tables present these statistics, both in dollar-amount and in ratio forms, for all manufacturing corporations in the aggregate, for all manufacturing corporations (all industries) by assets-size classes, for durable goods and nondurable goods corporations by assets-size classes, and for manufacturing corporations "principally" engaged in various named industry groups. Each issue presents separate data in parallel columns for each of the last five quarters, so that trends can be noted.

Publication of the QFR costs the taxpayers (in excess of modest revenues from paid subscriptions) about \$500,000 per year. ^{2/} The purposes it is intended to serve (some of which it still is serving) are easily worth that amount, and more. Those purposes--paraphrased from a statement in the "Explanatory Notes" at the head of each issue--include aid to government and business planners in analyzing current business conditions, in estimating national income trends, in estimating current tax liability and future tax receipts, and in determining current monetary and credit policy. The QFR is also intended to help its readers evaluate the current

financial position of small business, and to help the free enterprise economy itself function competitively and efficiently. As the QFR "Explanatory Notes" put it, this last, vital purpose is served by enabling

thousands of nongovernment subscribers to measure efficiency and appraise costs by comparing a company's operating results with the average performance of companies of similar size or in the same line of business, to determine whether to undertake new ventures by comparing the profitability of various types of business activity, and as a guide to the relative movement of sales and profits in order to reduce controversies in wage negotiations.

Let's see how well the QFR serves those purposes by trying a few exercises.

Suppose we want "to determine whether to undertake new ventures" in our old friend, the golf cart industry. Disappointment no. 1: the QFR industry groups that seem relevant only go down to "Transportation equipment" and two principal component industry groups thereof, "Motor vehicles and equipment" and "Aircraft and parts." So forget that use of the QFR; that was an unreasonable expectation anyway.

So let's suppose we own some stock in Ling-Temco-Vought, that astonishing conglomerate that climbed up out of nowhere to become, by 1969, number 14 in Fortune's list of 500 industrials ranked by sales. (It was number 15 in 1970.) LTV managed to

attain, on consolidated basis, a net loss of almost \$38.3 million on sales of over \$3.75 billion in 1969, and a net loss of over \$69.6 million on sales of almost \$3.8 billion in 1970, according to the Fortune directories. Concerned by these statistics, we decide to use the QFR to compare our

company's operating results with the average performance of companies . . . in the same line of business.

Well, this proves to be a little beyond the QFR, too, but it takes us longer to find it out. Let's go through the steps. Our first problem, obviously is to determine which "line of business" LTV is in, for purposes of classification in the QFR, and how it is doing in its "line of business." For that, we turn to LTV's Form 10-K, the annual report it files with the Securities and Exchange Commission. We know that in 1971, for the first time, diversified corporations whose fiscal years ended on or after December 31, 1970, have been filing sales and income data by "line of business" on a somewhat finer breakdown than previously. That is happening by virtue of a recent change in SEC rules. B/ (We have already glimpsed the new Form 10-K at work in the case of hypothetical Companies A and B above.)

LTV's Form 10-K gives us "approximate" sales and income data for 1969 and 1970 (also 1967 and 1968) for seven major lines of

Page 17

business. The aggregate operating results for all seven were \$35.3 million income on \$3.8 billion sales in 1969, and \$7.6 million income on (over) \$4 billion sales in 1970. (Never mind the immediately-noted discrepancy between those numbers and the ones from Fortune; we'll save discussion of that for another time and another working paper.^{2/}) The seven lines of business and their operating results were as follows:

Steel and ferrous metal products: \$17.3 million income on \$1.056 billion sales in 1969; \$13.1 million net loss on \$994.8 million sales in 1970.

Meat and foods: \$8 million income on \$1.264 billion sales in 1969; \$11.3 million income on \$1.463 billion sales in 1970.

Aerospace: \$10.9 million income on \$712.6 million sales in 1969; \$7.6 million income on \$820.2 million sales in 1970.

Electronics: \$3.6 million net loss on \$247.3 million sales in 1969; \$1.3 million income on \$243.3 million sales in 1970.

Air transportation: \$3.5 million income on \$325.6 million sales in 1969; \$1.5 million net loss on \$325.6 million sales in 1970.

Wire and cable: \$0.2 million net loss on \$94.8 million sales in 1969; \$2.3 million income on \$100.3 million sales in 1970.

Page 18

Floor Covering: \$0.6 million net loss on \$109.3 million sales in 1969; \$0.3 million net loss on \$104.7 million sales in 1970.

So, we turn to our QFR to compare LTV's operating results with "the average performance of companies . . . in the same line of business."

Since our company is in seven major lines of business (at least!), you might think we would check seven different industry groups in the QFR to get our comparisons. Seems logical. But wait a minute! Disappointment no. 2: the "Explanatory Notes" tell us --

The consolidated enterprise concept is used in the FTC-SEC quarterly financial estimates.

* * * * *

Industry classification. After a corporation has been introduced into the sample, its industry /sic/ is classified according to the latest information at hand. 10/ Emphasis supplied, except for paragraph heading emphasized in original/

Does that mean . . .? Could it mean that LTV's entire, consolidated financial data are all assigned to just one industry group in the QFR? Aghast at the thought, we hasten to other sources, hoping to find out it isn't so.

Unfortunately, it seems that it is so, or nearly so.

Inquiry reveals that there is one official list published by SEC, naming most 11/ of the major corporations whose financial results are included in the QFR. It is called Directory of Companies Filing

Annual Reports With the Securities and Exchange Commission Under the Securities Exchange Act of 1934, Alphabetically and By Industry Groups.

(For sale by the Superintendent of Documents, Government Printing Office; \$3.) In the "Introduction" to the latest issue (December 1970), our darkest fears are confirmed. We read:

Definition of Reporting Unit

The organization or unit classified consists of the company and all subsidiaries included in the consolidated financial statements submitted to the Securities and Exchange Commission.

Basis of Company Classification

In general each company was classified on the basis of its major activity as determined by the product or group of products produced or handled, or services rendered. The major line of activity as reflected by the gross revenues of the company was the principal criterion used in classifying the company.

* * * *

The classification of multi-product or multi-industry companies is based upon available information as to the relative importance of individual products or activities in the overall operations of the consolidated enterprise. In cases where such companies have no single line of activity or product which is dominant, the classification must necessarily be somewhat subjective.

Parent and Subsidiary Registrants

To the degree that information is known, subsidiary registrants (other than railroads) included in the consolidated reports of the parent registrant are noted in a separate tabulation. [Emphasis supplied, except for subheadings emphasized in original.]

It is apparent from the data on seven "lines of business" supplied by LTV in its 1970 Form 10-K that the line it called "Meats and foods" was most important to it in the most recent full year, accounting for 36 percent of our company's consolidated sales and 149 percent of its consolidated operating income.

The "Alphabetical Listing of Companies" in the SEC Directory confirms our conclusion. We find for our company the following starkly simple listing:

INDUSTRY CODE		NAME	DOCKET NO.
<u>MFG.</u>	<u>NON- MFG.</u>		
20.1		LING-TEMCO-VOUGHT INC.	1-4368

Industry group 20.1, in the Enterprise Standard Industrial Classification (1968), is: "Meat products." However, that is a narrower classification than is used in the QFR, so we may begin to suspect that the consolidated operating results of Ling-Temco-Vought, Inc.--the great pharmaceutical and chemical manufacturer, defense contractor, aerospace giant, steel producer, electronics and electrical equipment manufacturer, and (at least for parts of the period 1969-early 1971) sporting goods manufacturer, rug

Page 21

manufacturer, wire and cable manufacturer, major domestic and international air carrier, operator directly or through subsidiaries of 757 establishments in 47 States, 29 foreign countries, D. C., Puerto Rico and Guam--were all classified "on consolidated basis" in the QPR issues appearing in 1969--early 1971 under the heading: "Industry code 20, Food and kindred products."

In the words of the SEC Directory, "somewhat subjective" indeed!

However, a little closer study of LTV's corporate structure and of the Directory leaves this suspicion something less than a firm conclusion. When interrogated on the subject, the responsible staff chief at the FTC refers the inquirer to the responsible staff chief at the SEC, and the latter declines to answer on the ground that the information requested is confidential. So we are left with such questions as these unsettled in our minds:

(Question 3-4.) The SEC Directory lists Jones & Laughlin Steel Corp. and Jones & Laughlin Industries, Inc. in the alphabetical and industry-classification sections, both companies being classified to manufacturing industry code 33.1, "Iron and Steel - blast furnaces, steel mills, and iron and steel foundries." Jones & Laughlin Steel (the Nation's sixth-largest steel producer) is also listed in the section headed "Sub-

Page 22

subsidiary registrants included in the consolidated reports of parent registrants" opposite the name of Ling-Temco-Vought Inc., as "parent;" but Jones & Laughlin Industries (the subsidiary through which LTV in 1970 was controlling J&L Steel with 81 percent stock ownership) is not listed in that section. Query: In the QFR, are the operating results of J&L Industries (including its equity in the operations of J&L Steel) tabulated in the industry code 331, "Primary iron and steel," or in the industry code 20, "Food and kindred products," a major industry group that includes the industry group to which LTV itself is assigned in the Directory, 20.1, "Meat products"? What is the explanation for the inclusion of J&L Steel in and the exclusion of J&L Industries from the consolidated subsidiaries section of the SEC Directory?

(Question 3-5.) The SEC Directory's alphabetical section lists the Okonite Co. separately and classifies it to manufacturing industry code 33.5, "Nonferrous metals- refining, rolling, drawing, forging and non-ferrous foundries." But Okonite is also listed in the

Page 23

Directory section that would indicate its results to have been consolidated with those of LTV, its parent (in 1970, although not now). Okonite is the subsidiary responsible for the "wire and cable" and "floor covering" results in LTV's seven lines of business in its 1970 Form 10-K. Query: In the 1969-70 issues of QFR, were Okonite's results tabulated in QFR's industry code 33, "Primary metal industries," or in QFR's industry code 20, "Food and kindred products," in deference to the principle of consolidation with the "parent" LTV?

(Question 3-6.) LTV ElectroSystems, Inc. and LTV Ling Altec, the two major subsidiaries primarily responsible for the results reported under the "Electronics" line of business in LTV's Form 10-K, are not listed at all in the alphabetical and industrial-classification sections of the SEC Directory; but both are included in the section listing subsidiary registrants consolidated with parents, LTV being named as the parent. The same applies to LTV Aerospace Corp., the subsidiary responsible for LTV's 10-K-reported results in the "Aerospace" line of business. Query: May we therefore assume that the results of these three giant electronic, aerospace and defense companies were all tabulated in the QFR industry "Food and kindred products"?

Page 24

(Question 3-7.) The reverse situation applies, in the SEC Directory, to Braniff Airways, Inc., the subsidiary responsible for LTV's reported results in its "Air transportation" line of business. Braniff is listed in the main alphabetical and industry-classification sections of the Directory, classified to non-manufacturing industry code 45.0, "Air transportation." It is not listed in the subsidiaries consolidated with parents section. Query: May we safely assume that Braniff's results have been subtracted by LTV in the data it submits for the QFR and therefore were not included in the "Food and kindred products" totals in the QFR?

(Question 3-8.) Wilson Pharmaceutical & Chemical Corp. is listed in the main alphabetical and industrial-classification sections of the SEC Directory, assigned to manufacturing industry code 28.3, "Drugs." It is also listed in the subsidiaries consolidated with parents section of the directory, with LTV named as parent. LTV does not even mention "Drugs" as a line of business in its Form 10-K. Query: In the QFR, are Wilson P&C's results carried under the QFR industry code 283, "Drugs," or (as we would surmise from the company's listing in the subsidiaries consolidated section) under its parent LTV's classification, "Food and kindred products"?

These are not trivial questions. The answers have significant implications for the quality of the statistical reporting by QFR of operating results in the industries it purports to tell us about. If we assume the worst possible answer to all these questions--that all of LTV's consolidated operating results have been tabulated in QFR in one industry, "Food and kindred products"--the QFR tables for that industry group would appear thereby to have been distorted in 1970 in a curious and substantial way. For LTV's consolidated sales in 1970 were almost three times larger than its sales of "Meat and foods," while its "Meat and foods" income was almost half again larger than its consolidated income! If QFR's "Food and kindred products" industry group incorporated data only for LTV's results in "Meat and foods," as reported in its annual reports, the LTV contributions to the totals in that group would have been income of about \$11 million on sales of \$1.5 billion--a return of 0.8 percent on sales. Instead, it seems at least possible that the LTV contributions tabulated in QFR could have been something closer to its consolidated total of \$7.6 million of income on \$4 billion of sales--a return of 0.2 percent on sales.

At this point, we may begin seriously to question not only whether the QFR helps us compare LTV with "the average performance of companies . . . in" the "Food and kindred products"

line; we may wonder whether the numbers QFR has reported for that industry group for 1970 bear any great relationship to reality at all. (The QFR reported 1970 before-tax income of \$4.8 billion on sales of \$101.2 billion--a 4.7 percent return--in "Food and kindred products.")

In the same consolidation process, it seems possible-to-probable that data on several other industry groups reported in the QFR have been distorted to significant degrees.

For example, the QFR includes data on an industry group styled "Aircraft and parts;" but it seems quite likely that the QFR data for that industrial classification did not include LTV's results in "Aerospace." Again, this is no small matter. LTV's total "Aerospace" sales, as reported in its 1970 Form 10-K, were over \$820 million, or more than 3 percent of the \$25.5 billion national-total "Aircraft and parts" sales reported for 1970 in the QFR.

Distortions such as these do not occur solely as the result of consolidation of the operating results of the brash young conglomerates. The older corporate giants play the same game, with the QFR's aid and consent, and with effects equally or even more detrimental for any efforts at reliable economic and industrial analysis. It is increasingly treacherous to think of any giant corporation as other than a conglomerate.

General Motors, for example, through its Frigidaire Division, is a leading producer of electric refrigerators; but the Frigidaire Division's operating results are all consolidated, in the QFR, in industry code 371, "Motor vehicles and equipment," rather than being tabulated separately--as would seem more sensible, desirable and truthful--in the QFR industry group styled "Electrical machinery, equipment and supplies." The inclusion in "Motor vehicles and equipment" of the operating results of GM's Allison Division, Defense Division and assorted divisions making locomotives and other heavy equipment surely must inflate that industry code significantly, while deflating in like degrees such other QFR industry codes as "Transportation equipment," "Aircraft and parts," "Other machinery," and "Miscellaneous manufacturing, and ordnance."

United States Steel, for another example, through its Universal Atlas Cement Division, is a leading producer of cement; but that division's operating results are all consolidated, in the QFR, in "Primary iron and steel." The QFR includes data on an industry group termed "Stone, clay and glass products," within which the data for Universal Atlas would seem to belong; but the principle of consolidated enterprise reporting precludes so elementary an application of economic commonsense and semantic and statistical honesty.

And the examples could be multiplied and multiplied,

presumably to a point approximating the arithmetical product of the 31 industry groups covered in QFR times the number of giant corporations reporting to QFR that have multi-industry operations.

We may now add to our list of questions two that seem to go to the heart of the foregoing, more specific questions about LTV.

(Question 3-9.) Why should not, and why does not, the QFR obtain from the larger respondents to its quarterly questionnaires--say corporations with annual sales of \$50 million or more--separate questionnaires for their operating results in each of the 31 industry groups that QFR reports, instead of a consolidated questionnaire that mixes, so to speak, industrial apples, oranges and roller skates?

(Question 3-10.) Why should not the individual contributions of giant corporations to the data tabulated in the QFR be made available to the public in a separate, supplemental publication, or in an appendix to the QFR itself?

Among those most concerned about the degradation of the QFR as a credible record of industrial performance are the members and

Page 29

staff of the FTC, which will soon bear sole responsibility for it. (After all, the agency is charged with protecting the public from false and misleading advertising!) In a later working paper in this series, which we hope will be ready before the hearings begin, we shall describe in some detail the efforts the Commission is making to improve this unsatisfactory situation, and the astonishing big-business resistance to those efforts.

--Gaylord Nelson and Raymond D. Watts

FOOTNOTES

1/ Hearings before the Subcommittee on Monopoly of the Select Committee on Small Business, United States Senate, 91st Congress, 1st Session, The Role of Giant Corporations in the American and World Economies, Part 1, Automobile Industry--1969, July 9, 10 and 11, 1969, p. 98.

2/ Hearings before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, United States Senate, 91st Congress, 2d Session, Economic Concentration, Part 8, The Conglomerate Merger Problem, Nov. 4, 5, 6, 1969; Jan. 28, Feb. 5, 18 and 19, 1970, p. 4819.

3/ We reiterate that this is a hypothetical example. The subcommittee has not found any data, public or secret, on the profits or losses experienced by any company or all companies actually engaged in the manufacture of golf carts. The 1967 Census of Manufactures reports that, in Product Code 37510 81, "Self-propelled golf carts (electric and gasoline powered) for carrying passengers and/or industrial in-plant personnel carriers," 1967 shipments amounted to 38,900 units valued at \$36.3 million. The Census of Manufactures contains no data whatever on manufacturing profits and losses, and little or no data beyond value of shipments and (sometimes) units of shipment of 7-digit products. Census reporting of detailed data stops with the 5-digit product and 4-digit industry levels of classification. The 4-digit industry that includes golf carts as one of its 7-digit products (six other 7-digit product classifications are also included) is styled "Motorcycles, bicycles and parts," Standard Industrial Classification (SIC) No. 3751. That industry, in 1967, was made up of 91 establishments (plants) owned by 87 companies. Total shipments of primary industry products that year were valued at \$262.6 million. The value of shipments of golf carts may thus be calculated as 14 percent of the value of shipments of all primary products of the industry in 1967. The Census of Manufactures does not disclose how many of the 87 companies and 91 establishments classified in Industry 3751, "Motorcycles, bicycles and parts," were engaged in the manufacture of Product Code 37510 81, "Self-propelled golf carts, etc." And we are presently aware of no other source, governmental or private, from which the public generally could obtain that information, although there may be one, among trade associations. It is a safe bet that there is no source, open to the public, for finding out any single company's--and probably none for all companies--profits or losses realized in the manufacture of golf carts.

Footnotes - Page 2

4/ David Solomons, "Accounting Problems and Some Proposed Solutions," in Alfred Rappaport, Peter A. Firmin and Stephen A. Zeff (editors), Public Reporting by Conglomerates, Prentice-Hall, Inc., 1968, pp. 93-94.

5/ The application of Item 1(c) of SEC Form 10-K to Company A, and of Item 1(c)(1) to Company B, as stated in our hypothetical, reflect our understanding of the actual requirements of the amended form in the postulated situations. The further suggestion in the hypothetical, that SEC examiners might, in either case, have read the submission on Form 10-K and requested amplification or change, comes closer to the realm of pure fancy. We give much credence to rumors we have heard, that Forms 10-K are, by and large, stamped in with a "Received" stamp and promptly filed away, with no perusal at all or only the most hasty and casual skimming by the SEC's overburdened personnel in the Division of Corporation Finance. The latter have their hands full keeping up with the registration statements which, under their statutes and procedures, they must read and pass upon within a reasonably brief time after filing. However, members of the investing public could press the SEC to require amendments of Company A's Form 10-K, in the situation here hypothesized, with good chance of success, while Company B would be equally likely to succeed in resisting any public pressure for an amendment of its Form 10-K in this fact situation.

More detailed discussions of the requirements of the SEC for line-of-business reporting in registration-statement and annual-report forms will be included in future working papers in this series. See also footnote 8, below, and accompanying text.

6/ Paid circulation of the QFR is about 5,000, by subscription and single-copy sales, and another 2,000-plus copies are distributed free each quarter to government agencies and depository libraries. Source: Government Printing Office.

7/ Estimate by the staff of the Senate Small Business Committee. The total cost of all FTC statistical programs in 1969 was \$559 million, while that of the SEC in the same year was \$478 million: Subcommittee on Census and Statistics of the Committee on Post Office and Civil Service, House of Representatives, 1969 Report of Statistical Activities of the Federal Government, H. Report No. 91-1085, 91st Congress, 2d Session (1970), p. 9. The QFR, we have been informed, accounts for the bulk of the total statistical-

Footnotes - Page 3

program costs incurred by the FTC but for only a relatively minor fraction of such costs incurred by the SEC. After 1971, as noted in the text, the entire responsibility for the QFR will reside in the FTC.

8/ Securities and Exchange Commission, Form 10-K as amended by Securities Exchange Act of 1934 Release No. 9000, Oct. 21, 1970 (effective Dec. 31, 1970). For an extensive compilation of documents and materials on changes in "line of business" reporting requirements at the SEC, see Hearings, Role of Giant Corporations (full citation in footnote 1, above), part 1A, appendix VII, pp. 757-867. See also Alfred Rappaport and Eugene M. Lerner, A Framework for Financial Reporting by Diversified Companies, NAA Research Study (National Association of Accountants, 1969), Appendix A, "Background of Events and Issues for Financial Reporting by Diversified Companies," pp. 45-55.

9/ If you can't wait, you will find the beginnings of a reconciliation of the divergent numbers at page 6 of LTV's 1970 annual report, as quoted in: Staff Report by the staff of the Antitrust Subcommittee of the Committee on the Judiciary, House of Representatives, Investigation of Conglomerate Mergers, House Committee Print, 92nd Congress, 1st Session (June 1, 1970), p. 318. The staff report contains extensive and valuable discussion of and documents on LTV (pp. 316-359, 500-577), as well as other conglomerates.

10/ Federal Trade Commission - Securities and Exchange Commission, Quarterly Financial Report for Manufacturing Corporations, First Quarter 1971, pp. 3, 5.

11/ Unregistered corporations of course would not be included in the SEC Directory, and the FTC does not publish a directory of the corporations included in its portion of the sample of all manufacturing corporations on which the QFR tabulations are based. The QFR sample includes 100 percent of manufacturing corporations with assets of \$10 million and over and descending percentages of corporations of smaller and smaller asset sizes. See heading, "Composition of the sample" at page 58 in the QFR for the First Quarter 1971.

Senator NELSON. I would like to call to your attention for the record a study that was published more than 20 years ago by the Senate Small Business Committee. That was a study comparing the difference between two communities, one surrounded by corporate farms and one surrounded by individual farms. The study was made in 1946. I just read an excerpt from it. The study is entitled "Small Business and the Community, A Study in Central Valley in California on the Effects of Scale of Farm Operations."

I am now quoting from "The Impact of Corporation Farming on Small Business," a report of the Select Committee on Small Business of the U.S. Senate, December 20, 1969:

"The 1946 report carefully compared the economic and social life of the Central Valley communities of Arvin and Dinuba, one surrounded by independently owned and operated family farms and the other by large corporation farms. Except for the difference in size and makeup of farming enterprises these agricultural communities were nearly identical.

"Despite these basic similarities, the study disclosed some striking economic and social differences. The family farm community supported 20 percent more people at a better standard of living than the corporation farm community. It had nearly twice as many individual establishments with 61 percent more retail trade. In addition, the family farm community had more and better schools, churches, recreation facilities, civic organizations and public services."

The growth of corporate farms in those areas where they are growing, and they are spreading across the country, is destroying the small town without making an offsetting contribution in economy and productivity in the agricultural field. In fact, I think there is good reason to believe that the large corporation farm is less efficient than the optimum size individual family farm. But it is interesting to note that with a huge Department of Agriculture, with thousands and thousands of employees, so far as I can find out to this day they have not made studies to demonstrate the economies in size of operation or the diseconomies in size.

I called the Agricultural Economics Department of the University of Wisconsin, which is one of the oldest and best agricultural economics departments in the country. Interestingly enough, they had not done much in that field of study, either. I asked my economist friend would he get the data that was available. Wouldn't one think that studies would be made in this on food and fiber productivity, effects on agriculture of an accumulation of huge land holdings around the country? But adequate studies have not been made.

I think it is time they are made. One State in the Nation has had the foresight to pass legislation prohibiting corporation agriculture and that is North Dakota. I proposed legislation in my State of Wisconsin in 1968 and it has been vigorously supported by farm groups led by the Farmers Union. It passed one house of our legislature and failed in the other.

I have hopes within the next 2 or 3 years we will be able to pass that legislation in our State.

We begin now to see the ravages of large farming and irrigation in sand country, in my country now, and it is getting very late. I would hope that we can do something at our committee level to stir up some interest in legislation.

I want to commend the chairman of this committee for raising this issue along with the other issues involving agriculture and agricultural labor which your committee is considering.

Thank you, Mr. Chairman.

Senator STEVENSON. Thank you, Senator Nelson, for a very helpful statement. I don't want to intrude upon your time. I would like to take a minute to cite one example that came my way the other day. The case of Tenneco, the Nation's 34th largest industrial corporation, formerly the Tennessee East Gas Transmission Co. It can now, at least in theory, own and control every phase of a food supply system from the farming end of the food chain all the way to the retail grocery store end of the chain. Tenneco owns 1 million acres, so it farms its own acreage. It can plow its fields with its own tractors from its own J. I. Case Tractor Co., which is a fully owned subsidiary. Its tractors can be fueled from its own fuel from Tenneco. It can spray its crops from its own insecticides, and utilize its own food additives. It can process, freeze, and store its food products in its own facilities. It can pack them in its own containers, because the Packaging Corp. of America is a subsidiary. It can then distribute these fruits and vegetables to grocery stores through its own marketing system using its own nationwide label—Sun Giant.

Other giants, Del Monte, for example, are now even acquiring public restaurants. This is vertical integration in the food supply business.

Now, the justification which you hear for corporate farming where vertical integration has taken place in the food industry is "great efficiency". I think it would be very helpful to us, Senator Nelson, if we could get some comparative figures on the efficiency of the small farmer and the corporate farmer and perhaps also some evidence of what is taking place at every step along the way, every link in that food chain. It is not only the small farmer that is threatened by the vertically integrated conglomerate in the food processing business; the retail grocer is threatened; the consumer is threatened.

You mentioned the consumer. It is not only the price which is controlled at every step along the way in the food chain; it is also quality of the food that we ultimately buy in the retail grocery store.

You mentioned strawberries. Tomatoes are developed not so much for the eating but for picking by machines. When you buy at the grocery store you buy something in the store that does not taste like a tomato any more.

Senator NELSON. When I was a kid we used to be able to throw a tomato at somebody without hurting them. Now, you can't. [Laughter.]

Mr. Chairman, I do agree with you. In the case you mentioned you see developing really classic monopoly cases, where the corporation is engaged in all aspects from the production to the distribution to the retail sales, controlling all prices and profit-taking at all levels and eliminating competition as they go along. That is a development going on in all fields in this country today.

Senator STEVENSON. The first link in the chain, the farmer end, the little farmer or the cooperative farmer—you mentioned the Cooperative Campesino in California that produced food more efficiently, perhaps with better quality, than the corporate farmer can.

Senator NELSON. We had some testimony in 1968 based on some material gathered from real estate, rural real estate operators in Minnesota. Again, I would want to check the record to be accurate on the prices given, but corporate farms were offering substantially more than

the going rate for agricultural land, \$50 or \$100 an acre, and more than the land could return to pay for its purchase.¹

So, it artificially drives up the price of the land. It drives it up for the individual farmer who would like to buy it because he can't pay an artificial price, he has to make a profit on it.

Then our tax structure has fixed it up so that that corporation can operate at a loss and only lose 50 cents on the dollar and make its profits on its other profitable operations. So, the corporate farmers have a couple of things going.

They are putting up unfair competition by use of the tax structure to an individual family-size farm. The corporations can afford to wait 5 years or 10 years. They are in agriculture but they are also in land speculation. With the growth of population in this country, the corporation can simply hold on, as they will in Central Valley. Those who have 50 and 100 thousand acres are entirely secure. Most of that land, with California growing the way it is, will some day be platted, lined up for industrial development, and the corporations will have had it their way all the distance, in the meantime driving out all the little people without making any offsetting, compensating social contribution to our system.

I think it is a very dangerous business that we have to address ourselves to before it is too late.

Thank you, Mr. Chairman.

Senator STEVENSON. Thank you, sir.

Senator Hughes?

Senator HUGHES. I will not delay Senator Nelson.

Mr. Chairman, both you and the Senator from Wisconsin have pointed out the fact that the quality of life in the rural America is involved and that efficiency is not the only factor we are looking for in America any more. We can prove beyond any reasonable doubt that by driving these millions of people from the farms into the cities that we have destroyed the quality of living and a way of life that has been the great attraction of what America should be and can be.

I am not simply interested in efficiency, in producing a hard tomato that tastes like something we have never known before. I am interested in what happens to the people and where they go as a result of that efficiency.

Senator NELSON. I agree with the distinguished Senator from Iowa. I raise the point because efficiency in productivity is the sole argument the defenders of corporate agriculture have. I don't think that defense even stands up. So I would not tolerate the destruction of this way of life even if it were that efficient, but I happen to think that it is less efficient and there is proof it is.

Senator STEVENSON. I raise that question as the only justification for what seems to be taking place in rural America. It appears, on the basis of evidence that we have, that it is a phony justification.

Thank you very much, Senator Nelson. We will print your entire remarks at this point in the record.

(The information referred to follows:)

¹ This testimony is supported by testimony received at the 1968 hearings on corporation farming before the Senate Small Business Subcommittee on Monopoly. See summary in "Impact of Corporation Farming on Small Business," report of the Senate Small Business Committee, S. Rept. 91-628, p. 11 (1969). (Note furnished by Senator Nelson.)

STATEMENT
BEFORE THE
SUBCOMMITTEE ON MIGRATORY LABOR
OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE, U. S. SENATE

BY

SENATOR GAYLORD NELSON

Washington, D. C., Nov. 5, 1971

Not long ago the proud products of rural America were good food and fiber, free men and women, and healthy children with happy futures. There were of course exceptions. The picture had some ugly blemishes. Still, the ideal and in large measure the attainment were there, to raise all those products on the American land: the food, the fiber, and the strong, free people.

Tragic changes have occurred. Today, from the vantage point of many big-city mayors, the most consequential "shipment" from rural to urban America is poor people for the welfare rolls. From the vantage point of small-town mayors, the same "shipments" mean that once prosperous communities face decay and despair.

There are many and complex causes for this American tragedy, which is still building and even accelerating. But the largest cause, I think, is the development of public policies that have equated goodness with bigness, quality with size. These policies have led to the emergence of giant corporations as the dominant force in manufacturing. Unless the policies are dramatically re-evaluated and changed, they will lead to like dominance of agriculture.

As the percentage of everything that is owned by giant corporations goes up, there is no place for the share that is left over for everyone else to go but down.

The figures on the shifts of asset ownership in manufacturing are available and familiar. The 200 largest corporations in the last 20 years have increased their share of all manufacturing-company assets from under 50 percent to about 60 percent. That means the share of everyone else in that sector has gone down from well over 50 percent to not much over 40 percent.

Now the giant corporations are moving into agriculture and gobbling up the land. There is no way, of course, to make the total supply of land grow, and the ways that are being used to expand the use of lands for agriculture involve ecological and social costs not yet sufficiently calculated and understood. Indeed, the evidence is growing that economic growth itself is more a problem than a solution.

I return to my first thought: our land should be used to cultivate not just food and fiber but a good culture and a happy, healthy populace. To do that, we must find ways to keep people productively and happily on the land, and reverse the forces that are driving them off. One of those forces is the movement of giant corporations into farming.

The Senate Small Business Subcommittee on Monopoly, which it is my privilege to chair, has been concerned with corporation farming for several years. At least some of the causes for this alarming development were suggested by an interim report (S. Rept. 91-628) issued by the Senate Small Business Committee, following 1968 field hearings by the Subcommittee. I shall mention a few.

The Federal tax structure is a cause. Giant corporations are permitted to enter agriculture as a sideline. The objectives of the sideline may well be more to make low-taxed capital gains in land speculation, and to reduce income taxes on profits earned in other lines, than to make a profit in farming.

The policies and the value system of the Agriculture Department are a cause. Agricultural research financed with taxpayer dollars is too often aimed at ways to make farms bigger, rather than ways to make small farms sustain families in dignity and reasonable standards. Nick Kotz, in his recent fine articles in The Washington Post, has re-emphasized this point. He tells us that the Department would apparently rather finance development of a new, tough strawberry that can be harvested by machine than a strawberry that tastes better or is more nutritious. This is the same Department, Kotz tells us, that has given little or no comfort and aid to a small, new cooperative organized by former migrant laborers to get into the strawberry cultivation business themselves.

Lax administration--or total ignoring--of laws passed by Congress to help small farmers is a cause. The total abdication of the statutory limitation on irrigated acreage that may be in one ownership--although Congress has never repealed the law--is an outstanding example. Failure of the government to make bold and imaginative use of the antitrust laws is another.

The lack of Federal legislation in areas where it is obviously needed is a cause. Strong evidence at the Monopoly Subcommittee's 1968 hearings suggested the need for laws to limit the use of underground water for irrigation to the amounts normally restored to these aquifers by natural recharge. That would stop the practice of "mining" of the aquifers by the corporation farms.

Another big cause of our rural troubles is that public and Congressional knowledge of developments is not keeping up with the pace of developments. That problem is one the giant corporations don't want solved. Indeed, they are helping to perpetuate it because they benefit from it. The Monopoly Subcommittee for many years has been concerned with the problem of corporate secrecy, not alone in agriculture but in all economic sectors. Our attack on the problem, begun in 1968, will be renewed next week, when we reopen hearings on the role of giant corporations in the economy, with corporate secrecy the express focus. On November 23 our exploration of the impacts of corporate giantism and corporate secrecy in agriculture will resume.

Sixteen questions about seven different types of corporate secrecy will be studied by the subcommittee during these hearings. (The 16 questions and the seven types were listed in the Congressional Record of October 15, 1971, at p. 5 16313.)

For purposes of the hearings, the term "corporate secrecy" is defined as the conscious, deliberate withholding from the public of valuable information possessed by corporate management. Of the seven main types of information so withheld, the first two have particular importance to studies of corporation farming. They are:

- (1) Financial information about the separate organizational, industrial and geographical segments of the business, and the interrelationships of the segments.
- (2) Information on industrial and natural resources ownership and control.

An example of the first type of information would be the profits or losses realized, state by state, in the tractor business, the feed business and the farming business of a giant conglomerate engaged in all those businesses, plus oil and others.

An example of the second type of information would be the land ownership and control, state by state and country by country, of a giant corporation engaged in various kinds of agricultural, mining and other uses of land.

It is interesting but hardly surprising that this subcommittee, starting out from a base of concern for migrant labor, has ended up on the same doorstep as the Monopoly Subcommittee, which started out from a base of concern about small business. It is, of course, the doorstep of the giant corporations. In this country, it seems that many of the large problems lead there. But here our two subcommittees are, up against the same question: secrecy of giant corporations about their ownership of land.

Given present budget and staff limitations, it is probable that any single Senate subcommittee--and perhaps the whole Senate--will encounter difficulty, to say the least, in getting helpful answers from the corporate giants. Consequently, it is with pleasure that I note that the Monopoly Subcommittee's efforts to bring down the veils of secrecy surrounding all areas of corporate power will be supplemented by this Subcommittee's efforts to add to the public's knowledge about land ownership by the agribusiness conglomerates.

It is entirely predictable that the corporate giants will wrap themselves in the mantles of free enterprise and business privacy when we ask them for even the broadest kinds of land ownership and segmental financial information--say at the three-digit levels of the Standard Industrial Classification (SIC) system. But I predict that, before the Monopoly Subcommittee's hearings are over, we shall have demonstrated that the public is entitled to disclosure at the seven-digit level and even below, from some of the largest corporations at least, if this country is to restore a competitive market system in certain industries where it has long been dead or dying.

It is often repeated that knowledge is power. Less often recalled, perhaps, are some words of Daniel Webster about power.

"Power naturally and necessarily follows property," the great statesman and orator told the Massachusetts Convention in 1820. And he went on, a little later in the same speech to observe: "In the nature of things, those who have no property and see their neighbors possess much more than they think them to need, cannot be favorable to laws made for the protection of property."

It seems that today too many of the laws are for the protection of the property of the largest economic factors, and increasingly less protective of the smaller. I am glad that our two subcommittees will be working along complementary lines to increase our store of information, now sadly lacking, on corporate land ownership. Together we can perhaps do more than twice as much as we could each do separately, and it is surely true that we both need all the help we can get.

Mr. Chairman, that concludes my statement, and I thank you for the opportunity of presenting it. If you like, I will submit my subcommittee's "16 questions" and a working paper discussing the first three of those 16 questions for inclusion in the record. Since they have already appeared in the Congressional Record, you may prefer simply to incorporate them by reference.

Senator HUGHES. Before he leaves, might I inquire, would it be possible to get some of the things you researched in your previous hearings and incorporate them in our files?

Senator NELSON. I will be glad to have Mr. Watts meet with your staff and whatever is appropriate and will contribute to your record we will be glad to furnish.

Senator STEVENSON. We will keep the record open to receive that information.

(Senator Nelson. subsequently furnished the following document:)

91ST CONGRESS }
1st Session }

SENATE

{ REPORT
No. 91-628

IMPACT OF CORPORATION FARMING ON SMALL BUSINESS

REPORT

OF THE

SELECT COMMITTEE ON SMALL BUSINESS UNITED STATES SENATE

ON

THE EFFECTS OF CORPORATION FARMING ON SMALL
BUSINESS BASED ON HEARINGS BEFORE THE SUB-
COMMITTEE ON MONOPOLY, MAY 20, 21, AND JULY 22,
1968

TOGETHER WITH

INDIVIDUAL VIEWS



DECEMBER 20, 1969.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1969

37-010

SELECT COMMITTEE ON SMALL BUSINESS—1969

[Created pursuant to S. Res. 58, 81st Cong.]

ALAN BIBLE, Nevada, *Chairman*

JOHN SPARKMAN, Alabama
 RUSSELL B. LONG, Louisiana
 JENNINGS RANDOLPH, West Virginia
 HARRISON A. WILLIAMS, Jr., New Jersey
 GAYLORD NELSON, Wisconsin
 JOSEPH M. MONTTOYA, New Mexico
 FRED R. HARRIS, Oklahoma
 THOMAS J. MCINTYRE, New Hampshire
 MIKE GRAVEL, Alaska

JACOB K. JAVITS, New York
 PETER H. DOMINICK, Colorado
 HOWARD H. BAKER, Jr., Tennessee
 MARK O. HATFIELD, Oregon
 ROBERT DOLE, Kansas
 MARLOW W. COOK, Kentucky
 TED STEVENS, Alaska

CHESTER H. SMITH, *Staff Director and General Counsel*JOSEPH L. WARD, *Assistant General Counsel*JAMES P. DUFFY III, *Minority Counsel*

SUBCOMMITTEE ON MONOPOLY

GAYLORD NELSON, Wisconsin, *Chairman*

JOHN SPARKMAN, Alabama
 RUSSELL B. LONG, Louisiana
 THOMAS J. MCINTYRE, New Hampshire
 ALAN BIBLE,* Nevada

MARK O. HATFIELD, Oregon
 ROBERT DOLE, Kansas
 MARLOW W. COOK, Kentucky
 JACOB K. JAVITS,* New York

SELECT COMMITTEE ON SMALL BUSINESS—1968

[Created pursuant to S. Res. 58, 81st Cong.]

GEORGE A. SMATHERS, Florida, *Chairman*

JOHN SPARKMAN, Alabama
 RUSSELL B. LONG, Louisiana
 WAYNE MORSE, Oregon
 ALAN BIBLE, Nevada
 JENNINGS RANDOLPH, West Virginia
 E. L. BARTLETT, Alaska
 HARRISON A. WILLIAMS, Jr., New Jersey
 GAYLORD NELSON, Wisconsin
 JOSEPH M. MONTTOYA, New Mexico
 FRED R. HARRIS, Oklahoma

JACOB K. JAVITS, New York
 HUGH SCOTT, Pennsylvania
 NORRIS COTTON, New Hampshire
 PETER H. DOMINICK, Colorado
 HOWARD H. BAKER, Jr., Tennessee
 MARK O. HATFIELD, Oregon

WILLIAM T. MCINARNEY, *Staff Director and General Counsel*

SUBCOMMITTEE ON MONOPOLY

GAYLORD NELSON, Wisconsin, *Chairman*

JOHN SPARKMAN, Alabama
 RUSSELL B. LONG, Louisiana
 WAYNE MORSE, Oregon
 GEORGE A. SMATHERS,* Florida

HUGH SCOTT, Pennsylvania
 MARK O. HATFIELD, Oregon
 JACOB K. JAVITS,* New York

*Ex officio member.

(11)

CONTENTS

	Page
I. Introduction.....	1
A. Scope of investigation.....	2
B. Field hearings held.....	3
C. Lack of data.....	3
II. Impact on soil and water resources.....	4
III. Impact on local services and business.....	7
IV. Impact on land prices and availability.....	11
V. Social and moral implications.....	13
VI. Impact on market structure.....	15
VII. Impact of Federal tax policies.....	18
VIII. Surplus land sales as a factor.....	21
IX. Summary of remedial proposals.....	23
Individual views of Senator Peter H. Dominick re corporate farming.....	24
Individual views of Senators Robert Dole and Marlow W. Cook re corporate farming.....	27
Statement of Senators Thomas J. McIntyre and Mike Gravel re corporate farming.....	28
Statement of Senator Ted Stevens re corporate farming.....	28

APPENDIX

A. Summary of Arvin-Dinuba study.....	29
---------------------------------------	----

(III)

IMPACT OF CORPORATION FARMING ON SMALL BUSINESS

DECEMBER 20, 1969.—Ordered to be printed

Mr. BIBLE, from the Select Committee on Small Business, submitted
the following

REPORT

together with

INDIVIDUAL VIEWS

I. INTRODUCTION

This is a preliminary report on the subcommittee's findings in a continuing investigation of the impact of corporation farming on small business and the economic and social structure of rural America.

The subcommittee is vitally interested in public policy implications of rapid movement of large corporations,¹ including conglomerates, and other nonfarm interests into farming. The evidence indicates direct business involvement in agriculture is relatively new, becoming important in the 1950's and a significant trend in the last 5 years or so.

Preliminary study shows increasing corporate control by companies, many in the food and feed fields, of poultry, egg, and livestock production. This normally involves some degree of vertical integration with little or no actual ownership of land or direct operation of the agricultural enterprises involved.

The investigation also has turned up a large number of corporations buying and operating large tracts of agricultural land, particularly in the Great Plains States. These are farming companies that displace independent farmers and ranchers in a community.

¹ These large corporations, including conglomerates, were cited by various witnesses (during the hearings or in material submitted for the record) as being engaged in farming: American Cyanamid, Bunge Inc., CBK Inc., Del Monte, Gates Rubber Co., Goodyear Rubber Co., Gulf & Western, H. J. Heinz Co., International Systems & Controls Co., Jewel Tea Co., Libby, McNeill & Libby, Massey-Ferguson, Minute Maid Groves, Oppenheimer Industries, Pacific-Gamble-Robinson Co., Pillsbury Co., Ralston Purina, Swift & Co., Tenneco, and Textron Inc.

A 1967 survey, completed with assistance from both county assessors and Federal officials, showed 452 corporations owned 1,633,529 acres of South Dakota farm land.² The number of corporations involved in farming in Nebraska was estimated at 500.³ A preliminary study in Minnesota shows at least 230 corporations engaged in farming in that State.⁴

An Internal Revenue Service report showed 17,578 farming companies filed Federal income tax returns in 1965.⁵

A. SCOPE OF INVESTIGATION

The investigation is designed to determine the effect of corporation farming on small business in rural communities, the impact on the sociological and moral environment of existing independent family farms and ranches, and likely patterns of use of water and other natural resources by corporate farm operators.

Incorporation by partners or families, usually done to take advantage of special tax provisions or facilities transfer of farm and ranch units from generation to generation, is not at issue in this investigation. It is estimated these farming corporations make up 20 to 30 percent of the total.

Several other important areas, related to corporation farming and raised repeatedly in the testimony, also are not dealt with directly. One is the impact of corporation farming on consumer price levels. Another is the efficiency of different types of agricultural systems and the question of whether the family farm system deserves protection and support.

The subcommittee began the investigation after receiving reports, mainly from farm-oriented organizations, of widespread concern over the growth of corporation farming. Farm-rural spokesmen express concern that corporation farming is being accepted, and occasionally given Government support, without public discussion or questioning of its benefits or its consequences.

Several witnesses urged the subcommittee to push corporation farming controls to give policymakers time to consider its impact before it becomes an irreversible trend. To permit farm incorporation to proceed without control, one farm economist testified,⁶ appears to be an unjustified gamble. He said the evidence points to the need for a policy of cautious experimentation that includes explicit provisions for slowing farm incorporation until probable long-run consequences have been fully analyzed.

The investigation deals with the important policy question of whether this nation wants an agriculture made up of independent farmers and ranchers or whether it is willing to shift to an industrialized agriculture.

There is considerable opposition to the latter course. One farm leader termed growth of corporation farming one of agriculture's most urgent problems. A sociologist said this trend, if allowed to continue, will erode the social and economic strength of rural communities. Still

² "Corporation Farming," hearings before Subcommittee on Monopoly, Select Committee on Small Business, U.S. Senate, 90th Cong., second sess., Ben H. Radcliffe, p. 23.

³ Hearings, Elton Berck, p. 44.

⁴ *Ibid.*, Arnold Onstad, p. 264.

⁵ *Ibid.*, Ben H. Radcliffe, p. 24.

⁶ *Ibid.*, Prof. Philip M. Haup, p. 249.

another witness predicted stepped-up farm-to-city migration, slowed economic activity in small towns and cities, more rural poverty, and monopoly control of food production if company farms become dominant.

The subcommittee, in opening the investigation, returned to a problem area last considered more than 20 years ago by the Senate Small Business Committee. That study, entitled "Small Business and the Community—A Study in Central Valley of California on Effects of Scale of Farm Operations," was completed in 1946.⁷

The committee carefully compared the economic and social life of the Central Valley communities of Arvin and Dinuba, one surrounded by independently owned and operated family farms and the other by large corporation farms. Except for the difference in size and makeup of farming enterprises, these agricultural communities were nearly identical.

Despite these basic similarities, the study disclosed some striking economic and social differences.⁸ The family farm community supported 20 percent more people at a better standard of living than the corporation farm community. It had nearly twice as many individual establishments with 61 percent more retail trade. In addition the family farm community had more and better schools, churches, recreation facilities, civic organizations, and public services.

B. FIELD HEARINGS HELD

The subcommittee has held public hearings in two cities thus far. At initial hearings May 20-21 in Omaha, testimony was taken from 15 witnesses from nine States in the Great Plains. The subcommittee heard 19 witnesses from three Upper Midwest States at the second hearing July 22 in Eau Claire, Wis.

Witnesses included representatives of Farmers Union, the Grange, Independent Bankers Association, National Farmers Organization, and National Catholic Rural Life Conference. Farm economists and sociologists, farm cooperative and poultry producer representatives, church leaders, and other experts also appeared.

Most of the testimony centered on (1) exploitation of underground water; (2) federal tax favoritism; (3) corporate buying patterns for farm production items; (4) inflationary land acquisition practices; (5) government sales of large-acreage surplus installations; (6) corporate production of poultry, eggs and livestock; (7) erosion of the public livestock marketing system; (8) breakdown of rural institutions; (9) migration of farm and rural people to the cities, and (10) threat to banks, dealers and retailers in towns and cities in agricultural trade areas.

All of these issues are dealt with in detail in succeeding sections of this report.

C. LACK OF DATA

Preliminary subcommittee study indicated there has been no recent indepth, comprehensive investigation of either corporation farming or its implications. Questioning of witnesses about current research,

⁷ Report, "Small Business and the Community—A Study in Central Valley of California on Effects of Scale of Farm Operations," prepared by the Special Committee to Congress, December 23, 1946.

⁸ See Appendix A for a summary of the Arvin-Dinuba study.

whether by organizations or universities or individuals, clearly showed this to be the case. A few state or regional studies are underway but none deal on a national basis with the overall problem.⁹

This issue has not had the attention its importance would seem to indicate, either in or out of Government. Howard Bertsch, administrator of the Farmers Home Administration, expressed dismay in his testimony at lack of public discussion of social implications of this basic change in agriculture's structure.¹⁰

The whole dialog of the social virtues and social values of family farming in this country had died. And I believe the most important product, perhaps of these hearings which this committee is conducting, will be the renewal of this dialog because if we ever get the American people talking about this issue and understanding this issue, I have the greatest faith in the ultimate outcome. But when we let dialogs like this subside, then we encourage evils like corporate farming to grow.

Although the economic and social ramifications of this issue are important to farm and city people alike, the subcommittee found that it has had little attention and consideration in agriculture and almost none elsewhere. The Department of Agriculture has recognized, through public statements, that the issue needs attention. But there is no evidence the agency has done more than conduct some cursory surveys through field offices.

The record indicates this policy area needs much more attention from university researchers, too. Even the publicly-supported land grant institutions, which traditionally are looked to for farm-rural policy direction, have done little to build public awareness or understanding of this issue. As one university witness put it:¹¹

We need some research, we need it now, not next year, we need it tomorrow. We don't really know what the social impact is of this change that is going on. We can talk all we want to today but I am embarrassed, we have very few answers.

II. IMPACT ON SOIL AND WATER RESOURCES

A good deal of testimony at the hearings dealt with the impact of corporation farming on soil and water resources. The possibility that companies would "mine" both land and water to obtain rapid profits, then move on to new areas, was repeatedly suggested.

Heavy and unregulated pumping of underground water for irrigating large-scale company projects was singled out as a relatively new and critical problem area. The subcommittee concludes the fear of exploitation is based on sufficient experience with older corporate farming operations in California and elsewhere to be seriously considered.

Most of the water problems cited in the testimony dealt with the Ogallala Basin, a vast underground reservoir underlying parts of

⁹ Examples are the Minnesota Task Force on Corporation Farming, a citizens study group, with work described on pp. 263-269 of the hearing record; and a legislative council study, South Dakota Legislature, p. 20 of the same period.

¹⁰ *Ibid.*, Howard Bertsch, p. 99.

¹¹ *Ibid.*, Douglas G. Marshall, p. 228.

Nebraska, Colorado, Kansas, Oklahoma and Texas. This water resource has been built up over centuries and, until recently, was tapped only

Farm-rural witnesses emphasized that they oppose heavy withdrawal from the Ogallala because it is a closed basin that could be pumped dry in a generation or less. It is not fed by surface streams or lakes. Its recharge rate is several limited, coming solely from rain water seeping through the soil.

It is obvious to the subcommittee that both Federal and State agencies know too little about this basin or what is happening to it. The U.S. Geological Survey has sufficient data to estimate the basin's capacity at 80 million acre-feet of water. It has calculated that about 30 million acre-feet is recoverable through surface pumping.

The serious and long-term consequences of heavy pumping from the basin were suggested in this exchange:¹²

Question. (You say) the resource is replenished at the rate of less than one inch per year. How much is that in terms of this?

Witness. Well, the average annual rate of recharge is estimated at 430,000 acre-feet. But the recharge rate is not a sufficient factor in the development of the reservoir for beneficial use since the recharge is balanced by outflow. This balance in the reservoir has been established over many centuries. Consequently any withdrawal from the reservoir is, in effect, "mining" of the water. It begins to throw that reservoir out of balance as it is tapped * * *

There is considerable concern over public policy implications if, through heavy pumping for irrigation, an underground water resource is exhausted. The long-term outlook appears grim for dryland areas now drawing on Ogallala Basin water.

That specific problem was described this way by a witness who has studied soil and water conditions in northeast Colorado for many years:¹³

Many wells have been developed on sagebrush covered sand dunes, generally considered to be unsuited to crop production. By the heavy application of fertilizer, high yields of feed grains are being obtained. However, these soils under row-crop production will sift during the winter months without fall cover crops. If the water resource is exhausted, these fields will have to be abandoned and they will become barren, blowing desert.

Another witness told the subcommittee that heavy pumping for a new 40,000-acre corporation farm in northwestern Florida already has stopped the flow of artesian wells in the area.¹⁴

The subcommittee concludes that the critical policy question revolves around whether the water use will be regulated, how rapidly it will be exhausted, and who will benefit. It is clear that the entire Nation—not merely the farmers, ranchers and businessmen in these areas—has a stake in proper use of water from the Ogallala and similar underground sources.

¹² Ibid., Amer Lehman, pp. 102-103.

¹³ Ibid., Amer Lehman, p. 105.

¹⁴ Ibid., Howard Bertsch, p. 98.

It was suggested repeatedly in the testimony that farming companies and other absentee investors lack the permanence, and thus a strong commitment, to long-term soil and water conservation. There is evidence this concern is well founded.

One witness contended soil conservation is often ignored by corporate operators, who remove waterways, contour strips and terraces to accommodate big machinery. He described one specific example:¹⁵

Soil stewardship is something that the average farmer is dedicated to, but is not held in very high esteem by corporation operations. I know of instances in my community where a large operator removed the fences, ignored the waterways, and planted the whole farm with one crop. A heavy rain struck and took enough topsoil from the field to fill the road culvert and then buried the road with so much mud that the road grader got stuck in an attempt to remove it. These things are serious, they affect generations to come.

A similar report came in testimony on developments in Central Wisconsin's sandy soil area, where a good supply of underground water is attracting investors. Specifically criticized was bulldozing of shelter belts, wide strips of trees up to 20-feet tall planted under government programs in the drought years of the 1930's. The belts, which have served for 30 years or more as permanent windbreaks, are uprooted to clear the way for irrigation equipment and longer rows for big machinery.

Wind erosion of the sandy soil involved was described this way by a witness who illustrated his critical remarks with photographs:¹⁶

It has progressively built up a fence row until it is 6- to 15-feet high. When the old fence is built up in the sand you build another. In these two pictures overdrift is gradually sifting into the next field, it already has destroyed a large part of an alfalfa crop. It must be remembered that these drifting-like particles make up part of the area's topsoil.

We can go through this area and we find where the shelter belt has been bulldozed out, we see pictures of what happens when winds come along. Some day that impersonal decisionmaking process will decide if it is no more economically feasible to produce on this land, and then the people left in that community will have to live with whatever is there, and our Government again perhaps will have to go on a planting program to preserve what is still left there.

One farm leader contended corporation managers are so pressed with demands for profits that they should not be trusted with either soil or water resources. His testimony was interrupted at that point by this exchange dealing with underground water exploitation, temporary status of the corporate farm operator, and public costs of restoring an exhausted water resource:¹⁷

Question. Now, if a corporation gets into corporate farming and starts, for example, vast irrigation projects and is only concerned about the immediate profit for the next 5 or

¹⁵ *Ibid.*, Edwin Sommers, p. 219.

¹⁶ *Ibid.*, Gilbert Rohde, p. 202.

¹⁷ *Ibid.*, Tony T. Dechant, p. 11.

10 years * * * may they not simply destroy the soil and deplete the water table and then walk off and leave it?

Witness. I think that is true. It has already happened in many areas and this seems to be the pattern.

Question. I conducted some hearings * * * on the Central Valley, Calif., project where we now have a Federal reclamation project costing \$500 million. There were vast corporate landholders. One of the railroads is holding 55,000 acres, who have punched wells down 600 feet and drained the water table down to what's called the corcoran clay.

They soon were out of water, so they punched through the corcoran clay some 300 feet and drained the water table down there. It is down 1,200 feet and they're beginning to get brackish water in all parts of the Central Valley. So now we're engaged in a reclamation project, part of the objective of which is to spend some taxpayers' money to restore the water table and bring it above the corcoran clay again. Now, isn't this the kind of problem that we could run into with uncontrolled exploitation and use of the land by irrigation and otherwise?

Witness. I certainly think so * * *

It also was suggested that huge poultry and livestock feeding operations, which are concentrated in limited areas and produce odors and a high volume of manure, will create serious air and water pollution problems. Scientists calculate that a 10,000-head beef feedlot creates as much waste matter as a city of 160,000 persons.¹⁸

Public tension over waste disposal methods is sure to accompany development of these company operations, creating serious environmental quality problems for State and local governments.

The subcommittee concludes that serious resource policy questions have been raised regarding the likely impact of corporate farming on soil and water conservation. It is clear that too little is known about the problem. It also is clear that time is a critical factor in dealing with exploitation of resources that can be depleted in a generation or less. This policy area needs immediate attention.

III. IMPACT ON LOCAL SERVICES AND BUSINESS

Several months ago the daily newspaper in a small agricultural community in Kansas (pop. 8,483) published an editorial alerting its readers to the dangers of corporation farming. The Wellington Daily News, itself a small business with a farm-rural trade area readership, summed up its concern this way:¹⁹

The thought of one giant corporation controlling all of the agricultural wealth of Sumner County would provide a lifetime of nightmares for our merchants. Small town insurance firms wouldn't have anyone to insure. Realtors wouldn't have anything to sell to anyone. Implement dealers could forget it. Petroleum dealers would go out of business or out of town, or like most of us, both.

¹⁸ Ibid., Arnold Onstad, p. 263.

¹⁹ Ibid., Tony T. Dechant, p. 69.

There was considerable evidence submitted at the hearings to show that this is the likely impact of widespread company farming in the trade area of any small town or city directly tied to agriculture.

The large company farms, as a general practice, buy equipment and production supplies discounted and direct from either wholesalers or the factory, bypassing retail and dealer establishments in nearby towns and cities.

One example of direct buying was provided in the report of purchase of \$250,000 in farm equipment by Shinrone Inc., which operates a large farm in Sac County, Iowa.²⁰ The equipment was purchased from manufacturing plants in Brantford, Canada, and in Detroit, Mich., and Algoma, Wis. The same witness reported corporation farming companies also play off local dealers against each other so low bids, if they are made locally, provide little or no profit.

Also obtained direct are credit, insurance, legal assistance, and other business services obtained locally by independent farm and ranch operators.

One witness²¹ pointed out that many company farms are directly affiliated with large oil, tire and other makers of farm production supplies and thus find it doubly profitable to buy direct.

These company farm practices result in a competitive production cost advantage over independent operators and lost volume sufficient to drive small retailers, dealers and service establishments out of business. Especially hard hit are local implement dealers, farm supply stores, and feed and seed outlets.

Service establishments, highly important in small towns and cities, would be hit hard, too. A substantial drop in local demand will eventually force banks, law offices and similar service institutions to cut back or close entirely. The outlook was described this way by one rural banker witness:²²

The rural community lives from the gross income of the family farm or the small, closely held family farm corporation. Because towns and banks are in the business of serving people, the banker sees that the disappearance of these families would cause his town and his bank to disappear * * * The fact remains that the small town can not exist without people on the land, no matter how productive a vast corporation farm may be.

Buying and financing practices of company farms also work against attempts by banks and other local institutions to keep money circulating in the community's trade area. A banker from Chippewa Falls, Wis., (pop. 11,708) told the subcommittee:²³

* * * it hurts our communities because they (company farms) have a tendency to purchase supplies, feed, fertilizer outside the service area of the community. They hurt us in our business of banking particularly in that financing automatically comes from the bank at their head office and, in turn, any excess deposits eventually will drift back into the home office and circulate in that monetary system rather than in the system in which its original origin was.

²⁰ Ibid., Tony T. Dechant, p. 63.

²¹ Ibid., Edwin Sommers, p. 219.

²² Ibid., Pat DuBois, p. 71.

²³ Ibid., William Pickering, p. 277.

A study²⁴ of 190,000 farm families using supervised credit of the Farmers Home Administration in 1967 showed they grossed \$3.2 billion and spent all of it locally. The breakdown showed \$736 million spent for clothing, food and other consumer items; \$1.7 billion for goods and services to produce crops and livestock, and \$704 million to retire debts and buy new farm machinery.

Commenting on the close relationship the study showed between farm families and local business firms, the agency's administrator told the subcommittee:

The managers of large-scale corporation farms deal directly with the wholesalers or even the manufacturers of the products they need * * * In an area where corporation farms dominate there is no place for the village farm supply dealer, the co-op grain elevator, the small banker. You simply can not have corporation farms and small business enterprises cheek and jowl. On the other hand, where family farms thrive, small businesses flourish, too.

The economic health of many small businesses in farm-rural communities already is substantially weakened by population attrition. Business volume provided by farm families has been dropping steadily in America's agricultural midsection, where roughly every third farmstead now is vacant.²⁵

Although the subcommittee did not receive any testimony on the subject, it also is interested in the impact of corporation farming on franchise businesses, both independently-owned and otherwise. These small businesses are an important element in small towns and cities dependent on the agricultural economy. These include outlets of such companies as J. C. Penney, Western Auto, Gamble's, Woolworth's and Ben Franklin.

The long-term outlook for corporation farm purchase patterns was described recently by John A. Hopkin, finance at the University of Illinois.²⁶ He said corporate farms in the future will either be closely linked with certain suppliers or will set up their own supply subsidiaries.

A limited amount of research has been completed in an attempt to show the consequences to small business of sharp declines in the number of farm customers. It appears that a measurable farmer-customer relationship with businessmen exists.

The Department of Commerce, in a survey involving South Dakota,²⁷ showed the State had a net loss of 6,027 farm families in a six-year period ending in 1963. In the same period 1,101 businesses closed their doors in that State.

Farm-rural observers told the subcommittee this shows that one small business, on the average, is forced to close its doors every time six farm families leave a trading area. This rule of thumb, it was indicated, could be applied to most agricultural trade areas.

²⁴ Ibid., Howard Bertsch, p. 96.

²⁵ Ibid., Keith C. Davison, p. 192.

²⁶ Ibid., Tony T. Dechant, p. 98.

²⁷ Ibid., Ben H. Radcliffe, p. 23.

IV. IMPACT ON LAND PRICES AND AVAILABILITY

The land resource base has long been recognized as one of this country's most precious endowments. It has been developed through policy decisions designed both to conserve it and to accomplish social and economic objectives.

Congress since the 1850's has adopted policies to encourage families to settle on the land and to develop its agricultural potential. Family farming has been developed and protected since through such legislation as the Homestead Act, the Morrill Act, the Farm Credit Act and the Capper-Volstead Act.

Ownership and control of the land remain a most important consideration. The subcommittee, therefore, is attempting to determine the impact of corporation farming on both land prices and availability.

The issues involved include the effect of outside investment capital on land prices, the availability of land for expanding independent farm and ranch operations, and the question of whether the public interest is served when large land tracts are acquired by farming companies.

Evidence submitted at the hearings deals with land prices, corporate land acquisition practices, and the availability of good farm land. Little research has been done on land policy changes that appear to be taking shape. It is difficult, therefore, for the subcommittee to come to any significant conclusion.

Prices of good farmland have been going up steadily since World War II. But there is evidence that competition for good land in areas where large corporate farming operations have been started, or are being set up, is forcing prices up to unusually high levels.

Prices well above what appears justified by normal returns on investment are paid in assembling large holdings, some totaling 10,000 acres or more. Nonfarm investors appear able to pay \$25 to \$100 an acre more over the going price to acquire desired land parcels.

This makes it difficult for independent owners and operators to buy or rent additional land, either to get bigger or to put together economically viable units. This is especially true of younger operators with limited borrowing ability. It raises the possibility that high bids by outside interests are pricing land out of the market for most independent farmers and ranchers.

The former director of the Farmers Home Administration in Colorado testified that non farm capital has been a major factor in the "inflationary competition" for land. The competition for productive agricultural land, this farm-rural expert said, has driven present market values well above the present capacity to earn a reasonable return on investment.²⁸

Recent data on this problem was submitted to the subcommittee by the chairman of a task force investigating corporation farming in Minnesota.²⁹ The task force found that more than half the acquisitions

²⁸ Ibid., Amer Lehman, p. 106.

²⁹ Ibid., Arnold Onstad, p. 263.

of farmland by business interests had taken place in the last 3 years. Purchases by 41 nonfarm investors during that period totaled more than 100,000 acres.

The researchers also found, in analyzing questionnaire returns, that 27 real estate dealers know of standing offers by outside companies or investors to buy large tracts of Minnesota farm land.

The standing offers are likely to result in purchases because they include a sizable premium over going market prices. Eleven real estate dealers reported a \$25-an-acre premium offered for land in large tracts. Three reported a premium of \$50 an acre. Five said the standing offer was \$100 or more an acre over the going market price.

Land acquisition practices of one large corporation in northeast Colorado were described by one witness to show the likely impact on land prices.³⁰ Purchases involved were arranged by a real estate firm for Gates Farms Inc., a subsidiary of the Gates Rubber Co.

The unusual pattern, which involved water rights as well as cropland, was described this way:

The expansion of underground water development by individual farmers and small corporations between 1960 and 1966, as a result of the introduction of new cash crops and mechanical irrigation methods, was very rapid.

Then in 1967, a real estate broker began optioning land for an undisclosed principal. The option required the seller to establish the availability of ground water in a minimum amount of 1,000 gallons per minute under pumpage and to obtain a well permit from the State ground water commission.

* * *

When the options were exercised, the undisclosed principal was identified as Gates Farms, a subsidiary of the Gates Rubber Co., a substantial conglomerate corporation. The already disordered development at this point began showing signs of panic. Some farmers obtained permits, drilled wells and capped them in order to protect their potential development rights.

At the same time the Ground Water Commission, influenced to a considerable degree by local pressure, tightened its policies for granting permits. As a result a good many farmers can not now obtain permits, including some who had sold part of their land to the Gates Farms.

Studies by the Department of Agricultural Economics at the University of Minnesota show that 14 percent of land sales in that State in 1967 were to investor buyers, midway in the 11- to 17-percent range of the last 10 years. The possibility that this could sharply reduce the amount of land available to individual farm operators, however, is suggested in this comment from an expert witness:³¹

Although still a relatively low figure, sales to investor buyers at the rate of 14 percent of all sales in each year could bring about a major change in the landownership pattern in the course of a relatively few years, if investors buy land but do not sell.

³⁰ Ibid., Amer Lehman, p. 105.

³¹ Ibid., Philip M. Raup, p. 243.

Concern over land availability in the future also involves the fact that farming companies are permanent entities, unbroken by death, retirement or other personal considerations. This comment by a witness makes the point:³²

* * * once the land is permitted to get into corporate hands it is going to be difficult to reverse the process and restore family ownership. A corporation is a "legal person" which may have a hundred year life or a perpetual life. In family farming there is a turnover in ownership, once in a lifetime. On the average there is a change of ownership at least once in each generation, either from the members of a family to a relative or from one private owner to another. But, since a corporation never dies, the land tends to remain in the corporate hands even though some of the stockholders may change from time to time. And I think this is a key point because how are the family farmers going to have access to land once that has gotten into corporate hands? Land which is swallowed up by the corporations is likely to be gone for good as far as family-type operators are concerned.

It seems clear, based on information submitted to the subcommittee, that corporation farming has considerable impact on land prices and availability.

The upward pressure on land prices, the insistence of acquiring the best land, and permanence of corporate ownership would seem to work against the traditional policy of supporting and protecting the independent farmer and rancher. There is no doubt that continuing this trend will erode, and eventually undermine, the position of the independent operator in the agricultural economy.

V. SOCIAL AND MORAL IMPLICATIONS

One of the most significant results of the study comparing Arvin and Dinuba was the conclusion that the family farm community had more and better schools, churches, recreational facilities, civic organizations and public services.

The hearings reflected a fear that these same things would be undermined in any community where company farming becomes dominant. The concern also involves prospects for a "company town" atmosphere in these communities with local government and public services eroded by the influence of absentee owners.

The problem deals, too, with such intangibles as community spirit and the need for good neighbors. One witness, a Kansas wheat farmer, put it this way:³³

In closing I wonder how many farm people realize what it would be like to have a 40,000-acre corporation farm for a neighbor. Do you think it would cast a vote for a school bond issue? Or support good roads down every section line? Or help you combine wheat if you were laid up and unable to work? Or support the church building fund drive?

³² Ibid., Edwin Christianson, p. 206.

³³ Ibid., Philip Doyle, p. 112.

The threat of an eroded tax base was mentioned repeatedly. This drop in the amount of taxable property is expected to result from removal of family farm buildings from large tracts acquired by company farms and small business closeouts resulting when company farms take their business outside the community. One witness described the likely impact:⁵⁴

* * * declines in the tax base will make it more difficult to provide good education, police protection and other locally-controlled public services. If the towns industrialize, they may not feel these effects. But the open country residents will be especially vulnerable.

The same witness told the subcommittee that the change in the characteristics of the farm-rural population that would accompany corporation farming—hired managers and migrant workers becoming predominant—would erode the quality of local government. Here is his statement:⁵⁵

There could be strong tendencies toward local political apathy on the part of new farm population. Resident farm-owners have a sense of responsibility to hold offices and to participate in financing public services. The new farm employees may not see that they have much of a stake in local political participation. Moreover they will be few in number and are likely to be pressured by companies that employ them. Local political participation of the farm population may very likely decrease.

In addition to eroding the tax base, there are indications company farms also would be able, and anxious, to cut tax rates as well. The prospects for this reduction in support for locally-controlled public services are explored in this comment:⁵⁶

With only a small population to contend with, many of whom will be employed by them, the farming companies will see little need to assume fiscal and other responsibilities for the local areas. This will be especially pronounced if non-farm population does not increase. If it does, the townspeople might succeed in getting the companies to carry their share of the taxes. But even then, local politicians could be influenced by the farming companies.

The churches, which exert considerable influence in most farm-rural communities, also would be hard hit by the changes that company farming would bring. The same expert witness explores this possibility:⁵⁷

The local churches, especially those few that remain in small hamlets and in the open country, might close up. There will be fewer farm families to support them. Besides, many of these are tied to ethnic groups and extended families. Out-migrating members of the old ethnic groups of families may well be replaced with personnel with other (or perhaps no)

⁵⁴ Ibid., Douglas G. Marshall, p. 232.

⁵⁵ Marshall, *op. cit.*

⁵⁶ Marshall, *op. cit.*

⁵⁷ Marshall, *op. cit.*

ethnic ties and who will not be members of the local family groups. Churches depending on such groups are more apt to fail.

The evidence clearly shows that one of the social consequences of a shift to corporate farming is continued, and probably accelerated, farm-to-city migration. The cost of this upheaval has not been adequately measured. There is no doubt, however, that the price is substantial both in terms of human hardship and of public dollars to underwrite solutions to already critical urban problems.

Also involved are the human characteristics that many sociologists and religious leaders feel are most fully developed in a farm-rural setting. One witness, for example, said working on the land is desirable because it demands a capacity for orientation and adaptation, patient waiting, a sense of responsibility, and a spirit of perseverance and enterprise.³⁸

These intangibles usually are dismissed, however, by social scientists and other researchers who contend they are difficult to quantify through empirical research. Admittedly it is difficult to reduce them to the statistics need for charts and graphs. These factors should be among those considered, however, in making policy judgments about corporation farming and other farm-rural policy choices.

The larger question of the kind of "citizen" a farming company becomes in a community is a critical consideration. One expert witness suggests that most corporations entering agriculture are likely to foil this important social test:³⁹

I see corporations appearing in agriculture that are not large enough to be socially responsible but are large enough to ignore the wishes of their communities. And I am afraid that we may emerge from this period of change having gotten the worst of both possible worlds, having traded effective and efficient small units of production which were not growing rapidly enough to keep pace with technological change for larger corporate units of production which were not large enough and well financed enough to be socially responsible and financially flexible.

It is clear to the subcommittee that these considerations are highly important in assessing the impact of corporation farming on the social and moral strength of farm-rural communities. Although much more research is needed, it appears a compelling case is made that the impact would be both considerable and highly undesirable from a public policy standpoint.

VI. IMPACT ON MARKET STRUCTURE

There is evidence that much of this country's corporation farming is a nearly invisible type operation aimed at control of farm commodities at the producer level and bypassing of traditional markets rather than direct operation of farms and ranches.

This is achieved through contracts with producers, plus some actual ownership and operation of feedlots and similar facilities. One

³⁸ Ibid., Msgr. John G. Weber, p. 113.

³⁹ Ibid., Philip M. Raup, p. 241.

common characteristic is that little or no corporation-owned land is involved.

The objective may be vertical integration of production and processing of a product within a single firm. It may be building a captive market for manufactured feed or some similar product. Or it may be having fat cattle or other meat animals directly available for slaughter when markets are strong.

Large nonfarm corporations using this approach can control sizeable volumes of farm products without acquiring large land tracts, investing in farm machinery, or establishing farming subsidiaries.

Most companies involved are either processors (packers, freezers, canners, etc.) or suppliers (mainly feed manufacturers). Heavy applications of technology also are usually programed in these operations (prepared feeds, growth stimulants, automatic feeders, etc.).

It is estimated that nonfarm corporations, including some of the largest feed companies, now control 98 percent of U.S. broiler production.⁴⁰ Companies also are involved in production of feed cattle, hogs, lambs, turkeys, eggs and vegetables.

This corporation-controlled production bypasses the regular market system, thus upsetting supply-demand factors that set prices. The result is a breakdown of markets for products where buyers and sellers no longer are numerous enough to impose competitive checks on each other. Markets in some instances are totally destroyed.

A witness with first hand experience as a contract grower explained to the subcommittee how nonfarm corporations destroyed the market by gaining control of virtually all broiler production:⁴¹

Question. Are these mostly feed firms?

Witness. There are quite a few * * * a producer or grower cannot grow broilers without first having a contract with a processor. There is no market at the grower level * * * it is reasonable to project that it will not be very many years when a half dozen firms will produce all of the broilers * * * through contracts with growers; these farmer producers or growers being no more than glorified hired men, deprived of management and financial risks.

Question. How are they deprived of financial risks? A good percentage of them have gone bankrupt in my part of the country * * *

Witness. Their feed company or the integrated firm furnishes the broiler to the farmer. All the farmer furnishes is the building and equipment. The firm furnishes the broilers and they furnish the feed and it's their chickens. When they want you to bring it in, you sell it.

Question. But they set the price of the feed and they set the price they'll pay for the broiler?

Witness. They set the price of the feed but I don't know where the market price of a broiler is set. It's their chicken and they just take it away. I can't sell it to anybody else.

Question. They set the price that you're going to get for it; isn't that correct?

⁴⁰ Ibid., Albert Ebers, p. 165.

⁴¹ Albert Ebers, *op. cit.*

Witness. Yes. These farmers will probably never receive the just wages and hours deserved, without becoming a labor union * * * the egg and turkey industries are fast following the route of broilers. I think you know that last year the turkey industry has really gone through the wringer, you might say, and the egg business the same. In the South they * * * call it a burnout. The firms that can stand the financial strain, will end up owning or controlling the egg and turkey industries.

One expert witness told the subcommittee that these attempts by corporations to control the product will, as they expand, gradually dry up open markets with prices set in these markets becoming less and less representative of supply-demand conditions. He also explained other expansion consequences:⁴²

Management will likely continue to gravitate from the hands of farmers to those of processors and suppliers and the farmer's role reduced further toward that of a laborer. Integrating companies may not completely take over the production of food and fiber by owning the land and capital and hiring the labor so long as they can earn more with their resources in other uses. Also, by using contract, integrating companies may be able to avoid some employee costs, such as social security, workmen's compensation, and possibly union wages, which would likely come with complete ownership of land and other production resources.

One farm leader ⁴³ contended integrators and others contracting for production frequently are large enough to be a key factor in establishing local market prices. One of the most serious aspects of the entry of the corporation into farming, he stated, is its ability to "interfere with and manipulate" the market.

A critical statement also was submitted by a leading dairy economist ⁴⁴ who contended there is more cause for concern as a result of contract farming than with outright corporate farmownership. He explained its market impact:

When this approach is taken, the corporation offers a select group of farmers a modest income with reduced risk, but takes away from the farmer his managerial freedom and the possibility of a higher income in a competitive market. The production of those farms under contract to the corporation may be used in turn to force down prices to the remainder of agriculture.

It is clear from the testimony that contract farming and other approaches used by nonfarm corporations has an impact on the market system, ranging from total destruction in the broiler industry to lesser degrees in other areas. The extent to which it undermines the open market is not well documented. Much more public discussion and research is needed on this issue so obvious abuses can be curbed and the public interest protected.

⁴² Ibid, Paul L. Farris, p. 177

⁴³ Ibid, Tony T. Dechant, p. 66

⁴⁴ Ibid, Arthur Miller, p. 273

VII. IMPACT OF FEDERAL TAX POLICIES

A number of witnesses criticized "tax loss farming" and other Federal tax advantages and contended they are the most important factor attracting corporation and other nonfarm investors into agriculture.

The subcommittee concludes from the limited evidence available that Federal tax policy is one of the main determining factors, if not the most important. It is clear that substantial capital gains, favorable depreciation rates on machinery and equipment, and tax losses written off against nonfarm income are returning sizable tax savings to absentee investors.

Independent operators earning a living entirely from farming or ranching make some use, of course, of capital gains and depreciation provisions. But they normally have little or no taxable nonfarm income against which to offset farming losses. The tax loss advantage, therefore, accrues almost entirely to outside investors.

The independent farmer normally is not as concerned with tax brackets as he is in managing his farm to maximize current income. The very wealthy operator, on the other hand, normally seeks to maximize capital gain in an attempt to cut his tax bite from 50 percent or more down to a maximum of 25 percent.

Widespread incidence of "tax loss farming" was clearly shown in the hearings, both for wealthy individuals using farm investments as a tax haven and for corporations whose principal business is farming.

Recent Internal Revenue Service figures⁴⁵ show a large proportion of the wealthy taxpayers involved in some phase of farming write off sizable losses against nonfarm income. They show, for example, that 119 individuals reporting incomes of \$1 million or more in 1965 were involved in some phase of farming. Of this total, 103 wrote off farm losses against other income.

It is clear that this tax writeoff provision is widely used.⁴⁶ The IRS figures show that 680,000 of the 3 million farm income tax return filed in 1965 had farm losses offsetting nonfarm income.

It was estimated this represented a loss of up to \$400 million in Federal revenue. The subcommittee was told that much of this "loss" would appear later on returns as capital gains taxed at a much lower rate.

The Government also had data on the 17,578 corporations reporting farming as their principal business in 1965. The figures showed these corporations had \$4.3 billion in gross receipts in the most recent tax year—roughly 10 percent of total farm gross income. Yet only 9,244 reported a profit for tax purposes. And the taxable income involved totaled a mere \$199 million.

Favorable capital gains treatment also is a more important factor in the tax favoritism hit by farm-oriented witnesses. One expert witness,⁴⁷ singling out for criticism the 25-percent ceiling on the tax on

⁴⁵ Ibid, Ben H. Radcliffe, pp. 24-25.

⁴⁶ The Internal Revenue Service figures show this 1965 breakdown: Individuals with \$1 million or more income—119 engaged in farming with 103 writing off farm losses; \$500,000 to \$1 million—202 in farming with 170 reporting farm losses; \$100,000 to \$500,000—3,914 in farming with 2,874 reporting farm losses; \$50,000 to \$100,000—12,398 in farming with 7,424 reporting farm losses; \$20,000 to \$50,000—69,132 in farming with 30,380 reporting farm losses; \$15,000 to \$20,000—66,008 in farming with 28,848 reporting farm losses.

⁴⁷ Ibid, Philip M. Raup, p. 249.

long-term capital gains, called it a "graduated and progressive subsidy" to wealthy nonfarm investors moving into agriculture. He added these critical comments:

There is nothing sacred about the 25-percent ceiling on the tax on long-term capital gains. As it stands now, this relatively low ceiling is an open invitation to speculation in land. It is difficult to avoid the conclusion that much of the recent interest in farm investments by nonfarm investors would fall away if the capital gains tax ceiling were raised, say, to 40 or 50 percent. This 25 percent limit on capital gains taxes is inconsistent with the principle of the progressive income tax and is distorting capital flows, with no clear benefit to the public interest.

One witness⁴⁴ submitted a copy of a magazine article that spells out how off-farm investors use Federal tax provisions to build tax-free wealth. A section of the article, carried under the subhead "How to 'Grow' Tax-Sheltered Fortunes in Cattle," spells out which tax provisions are used to write off investment expenses against personal income, "time" the income, and convert regular income to capital gains:

1. Depreciation on farm machinery and buildings, farm supply expenses, and all labor and management costs are deductible.

2. Expenditures for soil and water conservation and land clearing are deductible (in every other business costs of a similar character must be characterized).

3. Income from Commodity Credit Corporation loans is controllable, making it possible to choose the most convenient tax year in which to report the income.

4. Timber, farm buildings, livestock and unharvested crops sold with the land get capital gains treatment.

The article sums up ways investors write off expenses against personal income, use the investment credit, take profits taxable at capital gains rates, and accumulate a cattle operation sheltered indefinitely from the bite of Federal income taxes:

* * * all expenses (except the cost of land) are deductible from ordinary income either as business expenses or by way of depreciation. So, while the herd is building up, you can use these deductions to offset other highly taxed income.

* * * many of the expenses you will incur qualify for the 7-percent investment credit—producing an immediate dollar-for-dollar slash in your personal tax bill. These would include, for example, the cost of fences to contain the cattle, drain tiles to improve pasturage, paved barnyards and water wells, but not the cost of purchasing the cattle.

* * * the herd builds up tax free * * * Simply trade off the calves produced by your herd for additional heifers, which will produce more calves * * * trade off for more heifers, and so on.

* * * much of the income produced by the herd will be tax-sheltered, long-term capital gain. For example, you get long-

⁴⁴ Ibid, Elton Berck, p. 49.

term gain if you sell out the whole herd. Furthermore, if you've held them at least 12 months, you get a long-term gain on the sale of cattle culled from the breeding herd, even if they've been fully depreciated.

The beef cattle operation was called the classic illustration by one expert witness.⁴⁹ With most of the investment in land and a breeding herd, he pointed out, opportunities are maximized for appreciation in capital value and subsequent taxation of gain at not more than 25 percent. This advantage is progressively attractive to investors with annual incomes exceeding \$25,000.

The same witness contended any attempt to help agriculture by income tax concessions contains an automatic bonus for bigness.⁵⁰ He added:

Completely apart from any question of concessions to farmers, or favored tax treatment, the nature of the farm business creates certain attractions for the wealthy investor. To him, the primary advantage lies in the high ratio of durable assets to total assets in an agricultural investment. Assets that can be treated as capital, and taxed under capital gains provisions, are an invitation to the man of wealth to acquire them and seek ways to convert the largest possible amount of current income into an appreciation in his asset values.

Thus, the subcommittee finds, it is both capital gains and "tax loss farming" that attracts industrial corporations and other nonfarm interests into agriculture. Both must be dealt with if this trend is to be slowed or reversed.

⁴⁹ Ibid, Philip M. Raup, p. 246

⁵⁰ Raup, *op cit.*

VIII. SURPLUS LAND SALES AS A FACTOR

There is some evidence that Government surplus disposal policies have resulted in transfer of large-acreage surplus defense establishments to corporations and other nonfarm interests for farming, live-stock feeding, and other agricultural purposes.

These abandoned installations are attractive to these nonfarm interests because they provide an easy way to obtain large land tracts, clear in most instances of farm buildings, hedgerows, terraces, and other deterrents to large-scale farming. They also have appeal because they no longer contain public roads or other right-of-way rights.

These military installations, usually dating from the 1940's, are normally sold as a unit after being declared surplus. It is impossible to sell this land to previous owners, who long ago obtained other farming units or moved to the city, or to find a way to break them up into units that could be purchased by individual farm operators.

Evidence was presented to the subcommittee on only one example.⁵¹ It was the recent transaction involving the 27-year-old Hastings (Nebr.) Naval Ammunition Depot. A sizable portion was purchased by the city of Hastings under provisions of the State's Industrial Development Act. The city, according to the testimony, immediately entered into a lease-purchase agreement that turned it over to a corporation for a huge hog feeding operation.

Several members of the Nebraska Legislature tried unsuccessfully to amend the State's Development Act in time to stop revenue bond financing to the city that made the purchase possible. The amendment specifically would have barred issuance of bonds under the act for live-stock production purposes.

Opponents of the Hastings transaction contended attempts by Government, both State and Federal, to provide new jobs by returning installations to the public fall short when corporations are allowed to take them over for agricultural purposes.

Although the Hastings situation involves the Defense Department, it is suggested that the Atomic Energy Commission and other Federal agencies also have been involved in transfers of large-acreage surplus installations to corporate interests. The subcommittee feels this is a policy area that should be explored further.

⁵¹ *Ibid.* Elton Berck, pp. 46-47.

IX. SUMMARY OF REMEDIAL PROPOSALS

Many of the witnesses urged the subcommittee to consider specific proposals to meet the challenge posed by industrial corporations and other nonfarm interests moving into agriculture.

Several of the proposals have been before Congress in one form or another in recent years or considered by the Food and Fiber Commission, the Food Marketing Commission, or other studies authorized by Congress.

The changes proposed generally involve one of two approaches. One is strengthening the farmer and rancher, through such things as bargaining power and credit and better prices, so competition from nonfarm interests can be overcome. The other involves removing tax and other incentives encouraging nonfarm investors and adopting land use restrictions and other roadblocks to corporate entry into agriculture.

Also included are requests for various kinds of investigations into corporation farming and related issues.

Congress clearly has authority to act on many of the proposals (Federal tax policy, disposal of surplus military installations, etc.). Others involve policy decisions reserved to the States (land use regulations, irrigation well permits, etc.). Still others fall into undefined areas or those involving joint government action (soil conservation, air and water pollution, reporting procedures for publicly owned corporations, etc.).

These are the main proposals submitted:

1. Limit use of underground water for irrigation to quantities normally restored to these aquifers by natural recharge.
2. Control Government sales of large-acreage surplus defense establishments to prevent them from coming under control of corporations for farming, livestock feeding, or other agricultural purposes.
3. Tighten antitrust laws to assure competition, specifically making it illegal for a single corporation to produce, process, and retail farm products.
4. Enforce existing laws limiting use of public irrigation water to a specified number of acres per user and includes a similar limitation on all future Government water development projects.
5. Use the Government's subpoena powers to determine (1) the names of stockholders of corporation farms; (2) whether company farms are involved in an effort to monopolize food processing, distribution and production, and (3) whether company farms violate antitrust laws in buying equipment, fertilizer, feed, and other production items direct and discounted.
6. Restrict farm size by limiting either the number of acres or volume of sales.
7. Increase the State homestead exemption on agricultural real estate where a farm family makes its home.

8. Require farm and ranch ownership registration (owner's name and address, property size and location, acquisition date and type of ownership) with farm companies required, in addition, to list stockholders with more than a 5-percent interest and report any ties to farm supply, processing or marketing firms.

9. Prohibit obstruction, boycott or intimidation of farmers organizing cooperatives or other collective efforts to increase bargaining power.

10. Provide authority and funds for continuing economic studies of the food and fiber industry structure by Government regulatory agencies, Federal economic research groups, and educational and private research institutions.

11. Enact legislation to assure parity prices and income protection, through Government payments and other assistance, to a family farm level of production with the Department of Agriculture defining family farm units on a county-by-county basis.

12. Enact Federal tax legislation to prohibit persons who are not bona fide farmers from using losses incurred in their farming operations as an offset to income from other sources.

13. Prohibit chain grocery stores and others engaged in food processing and distribution from operating feedlots and other agricultural facilities.

14. Enact a graduated land tax to discourage large land holdings, by either individuals or corporations.

15. Enact a law prohibiting purchase of farm land by corporations with stockholders exceeding a certain number.

16. Empower county boards to set up farm land resources commissions directed to (1) regulate farm land transfers; (2) prohibit undesirable forms of agricultural enterprises that represent poor land use or are out of character with those existing in the county; (3) regulate public nuisances resulting from air and water pollution arising from feedlots, egg factories, and confinement types of dairy and livestock operations, and (4) licensing and regulating water use for irrigation.

17. Refine, expand, and adequately fund the farm credit system.

18. Extend and improve restraint of trade, monopoly and unfair trade practices laws that limit capacity and thrust of corporate growth and made at the expense of smaller independent enterprises.

INDIVIDUAL VIEWS OF MR. DOMINICK

I am filing individual views to this report to clarify my position. I essentially feel we do not have sufficient information to reach any conclusions or recommendations and I encourage further hearings, particularly in the field. I am also somewhat critical of the manner that several hearings were held in the past.

I concur that the findings show that nonfarm corporations, including conglomerates, are diversifying by turning to agriculture and are becoming heavily involved in agricultural production. I feel the major reason is favorable tax advantages including capital gains treatment, writeoff of losses against nonfarm revenue and deductions against income as expenses, costs used in production of livestock and crops, which would be capitalized in other businesses and depreciation rates.

I would point out that the House and Senate have passed tax bills making changes in each of these areas.

Some limitations were put in by both houses on deductions of farm losses against non-farm income. Neither would have significant impact on corporate farming. Provisions were also made for recapture of depreciation, limitation on capital gains treatment for sale of farm assets and treatment of expenses for soil and water conservation. I am hopeful the conference committee will retain these provisions in the final bill. I feel a year's experience under these new provisions will yield additional information on the growth of corporate farming or decline of family farms as well as point some directions in which the Committee should proceed.

I strongly agree that there is a decided lack of data, study and research in this area. I am not prepared to agree that the rapid change in ownership and control of land and other production facilities "could easily result in corporate control over production of U.S. food and fiber and ultimately lead to a total merger of production, processing and marketing of food." I state this simply because there is this decided lack of data necessary to reach such a conclusion.

I do agree that "there are serious public policy issues to be questioned and resolved, involving both small business and related economic and social elements in rural America, before corporation farming becomes an irreversible trend in agriculture." The additional policy question is posed whether we should have agriculture made up of independent farmers and ranchers, shift to industrialized agriculture, or some mix of the two. I am not sure the Committee can or should make that decision at this point. I again point out that the hearings held to date have not yielded sufficient information, in my mind, to enable the committee to reach any significant conclusions or recommendations.

On balance I would point out that the decline of the family farm, small farm communities, and the small businesses located therein, and rural to urban migration, existed prior to the dramatic increase in corporate farming. I think it is safe to say corporate farming by large conglomerate corporations will not tend to halt that decline and certainly not reverse it. We should point out, however, that a complete halt to involvement of large corporations or corporate farms in the agricultural economy of the country would not remedy this country's farm problem nor bring about a return of the family farm. I am sure the members of the committee and the Senate would agree with that general conclusion.

I raise this point primarily to support a further study of this phenomenon by this committee and other appropriate committees and to encourage that it be done in the context of the total farm problem. The future of small business in smaller towns and cities across the country is closely tied to solutions to our farm problems. The advent of corporate farming by large unrelated corporations as well as corporations concerned solely with farming are only two of the problems. The advantages and disadvantages of industrialization business management techniques should also be studied.

The growing urban concentration is partially a result of significant changes in the nature of farming in this country. The Congress should move with all deliberate speed to try to solve the problems of

rural America or we will continue to lose ground in our efforts to solve the problems of urban America.

Finally, 18 suggested remedial actions are listed at the conclusion of the report:

1. Limit use of underground water for irrigation to quantities normally restored to these aquifers by natural recharge.
2. Control government sales of large-acreage surplus defense establishments to prevent them from coming under control of corporations for farming, livestock feeding, or other agricultural purposes.
3. Tighten antitrust laws to assure competition, specifically making it illegal for a single corporation to produce, process, and retail farm products.
4. Enforce existing laws limiting use of public irrigation water to a specified number of acres per user and include a similar limitation on all future Government water development projects.
5. Use the Government's subpoena powers to determine (1) the names of stockholders of corporation farms; (2) whether company farms are involved in an effort to monopolize food processing, distribution and production, and (3) whether company farms violate antitrust laws in buying equipment, fertilizer, feed and other production items direct and discounted.
6. Restrict farm size by limiting either the number of acres or volume of sales.
7. Increase the state homestead exemption on agricultural real estate where a farm family makes its home.
8. Require farm and ranch ownership registration (owner's name and address, property size and location, acquisition date and type of ownership) with farm companies required, in addition, to list stockholders with more than a 5-percent interest and report any ties to farm supply, processing, or marketing firms.
9. Prohibit obstruction, boycott, or intimidation of farmers organizing cooperatives or other collective efforts to increase bargaining power.
10. Provide authority and funds for continuing economic studies of the food and fiber industry structure by Government regulatory agencies, federal economic research groups, and educational and private research institutions.
11. Enact legislation to assure parity prices and income protection, through Government payments and other assistance, to a family farm level of production with the Department of Agriculture defining family farm units on a county-by-county basis.
12. Enact Federal tax legislation to prohibit persons who are not bonafide farmers from using losses incurred in their farming operations as an offset to income from other sources.
13. Prohibit chain grocery stores and others engaged in food processing and distribution from operating feedlots and other agricultural facilities.

14. Enact a graduated land tax to discourage large land holdings by either individuals or corporations.

15. Enact a law prohibiting purchase of farmland by corporation with stockholders exceeding a certain number.

16. Empower county boards to set up farmland resources commissions directed to (1) regulate farm land transfers; (2) prohibit undesirable forms of agricultural enterprises that represent poor land use or are out of character with those existing in the county; (3) regulate public nuisances resulting from air and water pollution arising from feedlots, egg factories, and confinement types of dairy and livestock operations, and (4) licensing and regulating water use for irrigation.

17. Refine, expand and adequately fund the farm credit system.

18. Extend and improve restraint of trade, monopoly and unfair trade practices laws that limit capacity and thrust of corporate growth and made at the expense of smaller independent enterprises.

I would emphasize these are not suggested actions of the committee but of witnesses who appeared before the committee. In my mind these are not necessarily the better suggestions nor a representative presentation of the problems. Nor do I, as a committee member, necessarily endorse these suggestions as practicable. We simply do not have sufficient information to make such recommendations at this time.

Finally, as I noted above, I feel we should continue the work of the committee on this matter. Every effort should be made to bring in all spectrums of farming to present their views including the corporations involved in farming. Publicly-available financial data should be compiled and reviewed.

I repeat that we must work to solve our farm and rural problems or we will continue to lose ground in our efforts to solve urban problems.

PETER H. DOMINICK.

INDIVIDUALS VIEWS OF MESSRS. DOLE AND COOK

We have studied the report of the Subcommittee on Monopoly of the Senate Select Committee on Small Business which deals with the impact of corporation farming on small business. We would like to point out that we were not members of the subcommittee when this investigation was undertaken and when hearings were held. We have not had the opportunity to be involved in this effort and to join our colleagues in examining the evidence and hearing witnesses.

We have, however, carefully reviewed the report and considered the evidence and conclusions which were set forth.

The report does deal with an important and relatively recent development in the agricultural community and one in which the Nation has a vital concern. From a reading of the report, some of the remedial proposals appear to be exceptionally harsh if not of questionable con-

stitutional character. Certain proposals seem especially subject to reservations in the light of the relatively narrow scope of the committee's hearings and the wide impact which these proposals would have if implemented.

Another aspect of this report we find subject to question is the rather significant variance in some of the cited statistics from the data presented in two publications by the Economic Research Service of the Department of Agriculture. These publications, *Corporations Having Agricultural Operations, A Preliminary Report* and *Preliminary Report II*, cover activities in 47 States. Although two States having a high level of corporate activity, California and Hawaii are not included in these reports; the data given for the other States, including Texas and Florida, both having heavy corporate farming operations, does not lead to the same conclusions as those reached in the subcommittee's report.

Conclusion.—Because of inconsistencies between the subcommittee's and USDA's reports, as well as the nature of some of the subcommittee's recommendations, we believe this subject deserves broader statistical analysis and more thorough investigation before any specific legislative action is initiated.

ROBERT DOLE.
MARLOW W. COOK.

STATEMENT OF MESSRS. MCINTYRE AND GRAVEL

At the time the hearings were conducted, which constitute the basis for this report, we were not members of the Select Committee on Small Business. We, therefore, reserve judgment at this time as to the conclusions and recommendations contained in this report, but we certainly have no objection to the issuance of this report.

THOMAS J. MCINTYRE.
MIKE GRAVEL.

STATEMENT OF MR. STEVENS

During the period covered by this report, I was not a member of the Select Committee on Small Business. While I do not object to the issuance of this report, I reserve judgment, at this time, as to the conclusion and recommendations contained herein.

TED STEVENS.

APPENDIX

A. SUMMARY OF ARVIN-DINUBA STUDY ⁵²

Whether industrialization of farming is a threat not only to the family farm, but also to the rural society founded upon the family farm, is the specific subject of the present report. The purpose of this study is to test by contemporary field research the historic hypothesis that the institution of small independent farmers is indeed the agent which creates the homogenous community, both socially and economically democratic.

The present inquiry consists of a detailed analysis and comparison of two communities, one where agricultural operations are on a modest scale, the other where large factory-like techniques are practiced. Both communities lie in the fertile southern San Joaquin Valley in the Great Central Valley of California, where highly developed and richly productive agriculture is characteristic. Limitations of time and resources dictated that no more than two communities be studied. Numerous other pairs might have been chosen which doubtless would have yielded comparable results.

The two communities studied naturally vary in some degree with respect to proportions of surrounding lands devoted to this or that crop, with respect to age, to depth of water lift for irrigation, etc., as well as with respect to the scale of the farm enterprises which surround them. Controls as perfect as are possible in the chemist's laboratory are not found in social organizations. Yet the approximation to complete control achieved by selection of the communities of Arvin and Dinuba, is surprisingly high. Other factors, besides the difference in scale of farming, which might have produced or contributed to the striking contrasts of Arvin and Dinuba have been carefully examined. On this basis the conclusion has been reached that the primary, and by all odds the factor of greatest weight in producing the essential differences in these two communities, was the characteristic difference in the scale of farming—large or small—upon which each was founded. There is every reason to believe that the results obtained by this study are generally applicable wherever like economic conditions prevail.

SUMMARY OF FINDINGS

Certain conclusions are particularly significant to an understanding of the importance of his place in a community. Not only does the small farm itself constitute small business, but it supports flourishing small commercial business.

Analysis of the business conditions in the communities of Arvin and Dinuba shows that—

⁵² This brief report is taken from pp. 4-6 of the hearing record of the Subcommittee on Monopoly.

(1) The small farm community supported 62 separate business establishments, to but 35 in the large-farm community; a ratio in favor of the small-farm community of nearly 2 to 1.

(2) The volume of retail trade in the small-farm community during the 12-month period analyzed was \$4,383,000 as against only \$2,535,000 in the large-farm community. Retail trade in the small-farm community was greater by 61 percent.

(3) The expenditure for household supplies and building equipment was over three times as great in the small-farm community as it was in the large-farm community.

The investigation disclosed other vast differences in the economic and social life of the two communities, and affords strong support for the belief that small farms provide the basis for a richer community life and a greater sum of those values for which America stands, than do industrialized farms of the usual type.

It was found that—

(4) The small farm supports in the local community a larger number of people per dollar volume of agricultural production than an area devoted to larger-scale enterprises, a difference in its favor of about 20 percent.

(5) Notwithstanding their greater numbers, people in the small-farm community have a better average standard of living than those living in the community of large-scale farms.

(6) Over one-half of the breadwinners in the small-farm community are independently employed businessmen, persons in white-collar employment, or farmers; in the large-farm community the proportion is less than one-fifth.

(7) Less than one-third of the breadwinners in the small-farm community are agricultural wage laborers (characteristically landless, and with low and insecure income) while the proportion of persons in this position reaches the astonishing figure of nearly two-thirds of all persons gainfully employed in the large-farm community.

(8) Physical facilities for community living—paved streets, sidewalks, garbage disposal, sewage disposal, and other public services—are far greater in the small-farm community; indeed, in the industrial-farm community some of these facilities are entirely wanting.

(9) Schools are more plentiful and offer broader services in the small-farm community, which is provided with four elementary schools and one high school; the large-farm community has but a single elementary school.

(10) The small-farm community is provided with three parks for recreation; the large-farm community has a single playground, loaned by a corporation.

(11) The small-farm town has more than twice the number of organizations for civic improvement and social recreation than its large-farm counterpart.

(12) Provision for public recreation centers, Boy Scout troops, and similar facilities for enriching the lives of the inhabitants is proportioned in the two communities in the same general way, favoring the small-farm community.

(13) The small-town community supports two newspapers, each with many times the news space carried in the single paper of the industrialized-farm community.

(14) Churches bear the ratio of 2 to 1 between the communities, with the greater number of churches and churchgoers in the small-farm community.

(15) Facilities for making decisions on community welfare through local popular elections are available to people in the small-town community; in the large-farm community such decisions are in the hands of officials of the county.

These differences are sufficiently great in number and degree to affirm the thesis that small farms bear a very important relation to the character of American rural society. It must be realized that the two communities of Arvin and Dinuba were carefully selected to reflect the difference in size of enterprise, and not extraneous factors. The agricultural production in the two communities was virtually the same in volume—\$21½ million per annum in each—so that the resource base was strictly comparable. Both communities produce specialized crops of high value and high cost of production, utilizing irrigation and large bodies of special harvest labor. The two communities are in the same climate zone, about equidistant from small cities and major urban centers, similarly served by highways and railroads, and without any significant advantages from nonagricultural resources or from manufacturing or processing. The reported differences in the community may properly be assigned confidently and overwhelmingly to the scale-of-farming factor.

The reasons seem clear. The small-farm community is a population of middle-class persons with a high degree of stability in income and tenure, and a strong economic and social interest in their community. Differences in wealth among them are not great, and the people generally associate together in those organizations which serve the community. Where farms are large, on the other hand, the population consists of relatively few persons with economic stability, and of large numbers whose only tie to the community is their uncertain and relatively low-income job. Differences in wealth are great among members of this community, and social contacts between them are rare.

Indeed, even the operators of large-scale farms frequently are absentees; and if they do live in Arvin, they as often seek their recreation in the nearby city. Their interest in the social life of the community is hardly greater than that of the laborer whose tenure is transitory. Even the businessmen of the large-farm community frequently express their own feelings of impermanence; and their financial investment in the community, kept usually at a minimum reflects the same view. Attitudes such as these are not conducive to stability and the rich kind of rural community life which is properly associated with the traditional family farm.

Senator STEVENSON. Senator Hughes would you care to go ahead with your opening statement?

Senator HUGHES. Mr. Chairman, my statement is brief.

As you know, I share your belief that these hearings are of vital importance to farmworkers, farmers, and rural America. What we are really investigating here is the nature of present-day American agriculture and landholding patterns, and the prospects of family farming for the future.

I want to express my appreciation to the witnesses who have agreed to appear this morning—including representatives of the Nation's farm organizations—to offer us their views and open themselves to the questions of this subcommittee.

I am disappointed, however, that the Nation's largest farm organization—the American Farm Bureau Federation—has decided not to testify here today, though they have filed a statement for the record.

There are about 2.9 million farms left in America. Of those, 2.3 million are small- or medium-sized operations. The Farm Bureau claims to have 2 million family members. I would think that they would have quite a stake in the issues we are discussing.

I have read with great interest the statement submitted by the Farm Bureau. Their position—that “there is no clear evidence that large corporations controlled by nonfarm interests are taking over agriculture”—is in sharp contrast to other testimony we have heard. It is diametrically opposed to the statement of National Farmers Organization President Oren Lee Staley that “corporate agriculture, as it is now developing, is like a cancer eating away at the heart of American agriculture,” and the testimony of National Farmers Union representative Raymond Watson that “the vertically integrated operation is, I believe, the most serious threat facing family agriculture in America. It is an alarming development. It must be halted.”

Some of the evidence already stated this morning supports certainly at least in part that statement.

Why is there such a discrepancy between the views of these two other major farm organizations and the Farm Bureau, all of which claim to speak for American farmers? I would like to ask the Farm Bureau representatives that question—as I will ask the NFO and NFU representatives—but that is precluded because the Farm Bureau is not here.

The members of this committee approach these matters with an open mind. But in the process of drawing our conclusions, it seems essential that we hear from all of the forces at work in rural America. I am also disturbed that none of the seven major food processors that were invited in September to testify have yet positively responded. Why will small farmers, farmworkers, rural social action agencies, and all the other major farm organizations appear, but not the processors and the Farm Bureau?

What can be of greater priority to America's family farmers than the prospects of their survival? I am sure that the chairman of this committee would welcome the appearance of the Farm Bureau and of the Nation's food processors at a later session of these series of hearings, if they are willing and able to give us the time. I think it is of ultimate importance that they do so.

Thank you very much, Mr. Chairman.

Senator STEVENSON. Thank you, Senator Hughes.

We will continue to give the American Farm Bureau and also any corporations involved in farming, and in the processing of food, opportunities to appear before this subcommittee.

The American Farm Bureau has sent a statement for the record which I will, without objection, enter into the record.

(The prepared statement of the American Farm Bureau Federation follows:)

American Farm Bureau Federation

November 1, 1971



WASHINGTON OFFICE
425 15TH STREET, N.W.
WASHINGTON, D.C. 20004
AREA CODE 202 - 696 - 6318
CABLE ADDRESS: AMFARMBUR

The Honorable Adlai E. Stevenson, III
Chairman
Subcommittee on Migratory Labor
Committee on Labor and Public Welfare
United States Senate
Washington, D. C. 20510

Dear Senator Stevenson:

We appreciate the opportunity to comment on the questions which are being explored by the Subcommittee on Migratory Labor of the Senate Committee on Labor and Public Welfare. It is our understanding, based on your statement at the Subcommittee hearing on July 21, 1971, as published in the Congressional Record for September 23, 1971, that you plan to look into some of the underlying trends that have been taking place in agriculture. In our opinion this type of inquiry is potentially much more fruitful than the usual investigation of migratory labor problems.

In recent decades there have been profound and far-reaching changes in agriculture. Trends during such decades are continuing at a rapid pace.

A major feature of agriculture economic development has involved the substitution of mechanical power, purchased inputs, and scientific know-how for muscle power, home-produced inputs, and traditional methods. The inevitable result has been an increase in labor productivity which has vastly expanded output per man, and stimulated a trend toward fewer and larger farms at the cost of greatly increased capital requirements per farm and per farm worker; and reduced the need for farm labor.

There has also been a tendency for farmers to obtain an increasing share of their total income from nonfarm sources, particularly in the cases where individual operators have not been in a position to expand their farming operation.

These trends are illustrated by the following USDA statistics:

TABLE 1 - NUMBER OF FARMS BY VALUE OF SALES CLASSES, 1960-70

Year	Farms with sales						All farms
	\$40,000 and over	\$20,000 to \$39,999	\$10,000 to \$19,999	\$5,000 to \$9,999	\$2,500 to \$4,999	Less than \$2,500	
	Thousands of Farms						
1960	113	227	497	660	617	1,848	3,962
1965	160	287	487	502	430	1,474	3,340
1970	223	374	513	370	260	1,184	2,924
	Percentage of Distribution						
1960	2.9	5.7	12.5	16.7	15.6	46.6	100.0
1965	4.8	8.6	14.6	15.0	12.9	44.1	100.0
1970	7.6	12.8	17.5	12.7	8.9	40.5	100.0

Source: "Farm Income Situation," FIS 218, Economic Research Service, U. S. Department of Agriculture, July 1971.

TABLE 2 - INCOME PER FARM OPERATOR FAMILY BY MAJOR SOURCE AND BY VALUE OF SALES CLASSES, 1960-70

Year	Farms with sales						All farms
	\$40,000 and over	\$20,000 to \$39,999	\$10,000 to \$19,999	\$5,000 to \$9,999	\$2,500 to \$4,999	Less than \$2,500	
	-----Dollars-----						
	Realized Net Income ^{1/}						
1960	18,955	8,652	5,368	3,305	1,961	850	2,962
1965	25,451	9,937	6,199	3,519	1,972	974	4,190
1970	25,664	9,962	6,208	3,492	2,049	1,059	5,374
	Off-Farm Income						
1960	2,177	1,678	1,258	1,573	1,849	2,731	2,140
1965	4,469	2,512	2,316	3,233	3,470	4,646	3,751
1970	5,803	3,503	3,452	4,984	5,465	7,954	5,833
	Total Income Including Non-money Income from Farm Food and Housing ^{1/}						
1960	21,132	10,330	6,626	4,878	3,810	3,581	5,102
1965	29,920	12,449	8,515	6,752	5,442	5,620	7,941
1970	31,467	13,465	9,660	8,476	7,514	9,013	11,207
	Percentage of total income from off-farm sources						
1960	10.3	16.2	19.0	32.2	48.5	76.3	41.9
1965	14.9	20.2	27.2	47.9	63.8	82.7	47.2
1970	18.4	26.0	35.7	58.8	72.7	88.3	52.0

^{1/} Includes government payments.

SOURCE: "Farm Income Situation," FIS-218, Economic Research Service, U. S. Department of Agriculture, July 1971.

Although we hear a great deal about corporations in agriculture, there is no clear evidence that large corporations controlled by nonfarm interests are taking over agriculture.

There has been a trend toward more incorporation of individual and family enterprises.

The corporate form of organization has a number of advantages for certain types of farming operations including the following: *

- (1) In the absence of contrary arrangements corporate stockholders are not individually liable for a corporation's liabilities. This is often an attractive feature when two or more individuals wish to enter into a joint venture in farming. In some cases, however, the limited liability of stockholders is more apparent than real, since lenders may insist that major stockholders assume individual liability for loans to a farming corporation.
- (2) Incorporation permits a business to continue uninterrupted in the event of the death or disability of the major owner or operator. This facilitates the intergenerational transfer of farming operations.
- (3) Under certain circumstances, incorporation can create opportunities for substantial tax savings.

For example, the corporation tax rate is 22 percent on income up to \$25,000, whereas, the personal income tax rate hits 22 percent at \$8,000 of taxable income for married taxpayers filing joint returns.

Incorporation also may make it possible for a taxpayer to reduce estate taxes by taking advantage of the federal gift tax exemptions, since he can make gifts in the form of stock in his corporation without reducing his available capital.

- (4) In combination, the advantages listed above often mean that the ability of a farming operation to obtain needed capital can be increased through incorporation.

The major disadvantage to the standard form of corporate organization is that income distributed as dividends is subject to double taxation--first in the hands of the corporation and then in the hands of the shareholders.

This disadvantage was removed for certain small business corporations--including farming corporations--by a 1958 amendment to the Internal Revenue Code known as Subchapter S. Under this legislation, certain small business corporations including farms can elect to pass the tax liability on their earnings to their shareholders. Earnings of such corporations are taxable in the hands of the individual shareholders, whether distributed or not, but the corporation does not pay income taxes. This procedure enables the shareholders to obtain most of the advantages of incorporation--including limited liability for shareholders--without being required to pay corporate income taxes.

The result has been a substantial increase in the number of farm businesses that are incorporated.

A U. S. Department of Agriculture study ("Corporations With Farming Operations", Agricultural Economic Report No. 209) conducted in 1968 showed that 13,300 farming corporations, representing 1 percent of all commercial farms, operated 7 percent of U. S. farmland. In 1967 these corporate farms accounted for an estimated \$3.3 billion in farm product sales, or about 8 percent of total farm sales.

Nearly two-thirds of the farming corporations covered by this study were family corporations; 14 percent were owned and controlled by individuals; and only about 20 percent were subject to other types of ownership and control.

The USDA also found that 63 percent of all corporations with farming operations in the 48 contiguous states were engaged solely in farming; 15 percent were engaged in farming plus agribusiness activities; 18 percent were engaged in farming plus nonagribusiness activities and 4 percent were of the combination or conglomerate type.

Farming was the major activity of 72 percent of these corporations (63 percent engaged solely in farming plus 9 percent with other activities), the second ranking activity of 25 percent and the third or lower ranking activity of only 3 percent.

Thus USDA figures indicate that most corporations with farming operations are owned by families or individuals and that the great majority of the corporations engaged in agriculture are basically agriculturally oriented.

A large part of the benefits of economic development in agriculture has been passed on to consumers in the form of a decline in the percentage of the consumer's income that is spent for food products. According to USDA statistics the percentage of disposable consumer income spent for food dropped from 22.2 percent in 1950, to 20.0 percent in 1960 and 16.6 percent in 1970.

The fact that a large part of the benefits of agriculture development is passed on to consumers indicates that agriculture is a highly competitive industry.

Despite rising productivity the average farm operator has been suffering from a price-cost squeeze during most of the post-war period as the prices of farm supplies have been rising faster than the prices of farm products. In September 1971 farm prices averaged only 68 percent of parity in comparison with 80 percent in September 1961 and 103 percent in September 1951.

Farming is not a high profit business and it clearly has not been enjoying the high margins that would make it vulnerable to a take-over by outside interests. Farmers clearly need greater bargaining power. That is why Farm Bureau supports the proposed National Agricultural Bargaining Act of 1971, introduced as S. 1775 by Senators Tunney, Curtis and others.

The farm labor problem is one of the most misunderstood aspects of modern agriculture.

The following is a summary of the major characteristics of the farm labor force:

1. Most farm workers are young. The following data are based on 1970:

The median age is 23.
 33 percent are 14-17 years old.
 22 percent are 18-24 years old.
 13 percent are 25-34 years old.
 10 percent are 35-44 years old.
 10 percent are 45-54 years old.
 7 percent are 55-64 years old.
 5 percent are 65 years old and over.

Source: "The Hired Farm Working Force of 1970 - A Statistical Report"
 Agricultural Economic Report No. 201, Economic Research Service,
 U. S. Department of Agriculture, March 1971.

2. The chief activity of most hired farm workers is nonagricultural. The following data are from Table 4, "The Hired Farm Working Force of 1970", USDA

<u>Chief activity</u>	<u>Number</u>
Farm work for wages	339,000
Other farm work	84,000
Nonfarm work	390,000
Unemployed	70,000
Keeping house	285,000
Attending school	988,000
Other	131,000
Total	2,488,000 ^{1/}

^{1/} Does not add to total due to rounding.

3. The chief cause of the low average annual earnings of farm workers is that many people classified as "farm workers" are employed for only a relatively small part of the time. This is illustrated in the following data from Table 7 of "The Hired Farm Working Force of 1970" -- Agricultural Economic Report No. 201, U.S.D.A.:

<u>Workers who worked in Agriculture</u>	<u>Number of workers</u>	<u>Average days worked:</u>		<u>Total days worked in Agriculture ^{1/}</u>
		<u>In Agriculture</u>	<u>At nonfarm work</u>	
Less than 25 days	1,093,000	9	63	9,837,000
25 to 74 days	823,000	44	41	27,412,000
75 to 149 days	293,000	105	46	30,765,000
150 to 249 days	172,000	199	22	34,228,000
<u>250 days and over</u>	<u>306,000</u>	<u>318</u>	<u>11</u>	<u>97,308,000</u>
All	2,488,000 ^{2/}	80	46	199,040,000

^{1/} Calculated. Second column multiplied by third column.

^{2/} Does not add to total due to rounding.

Only 12 percent of the total number of workers who worked in agriculture in 1970 worked 250 days or more. The average number of days worked in agriculture of all farm workers was only 80 days per year.

If we eliminate the full-time workers (those who worked 250 or more days per year), the remainder worked an average of only 67 days per year in agriculture.

4. Migratory workers represented only 8 percent of the total number of hired farm workers in 1970. A migratory worker is a person who worked in a county other than his county of residence or who had no usual place of residence and did farm work in two or more counties during the year. The number of migratory workers is declining sharply. Of the 2,488,000 persons who were hired by farmers in 1970, 196,000 were migratory workers. The number of migratory workers reported for 1969 was 257,000. (Data from "The Hired Farm Working Force of 1970", U.S.D.A.)

Number of Migratory Workers in the Hired Farm Working Force

	<u>Migratory workers</u>	<u>Nonmigratory workers</u>	<u>All workers</u>	<u>Migratory workers as a percentage of all workers (percent)</u>
1966	351,000	2,412,000	2,763,000	12.7
1967	276,000	2,802,000	3,078,000	9.0
1968	279,000	2,640,000	2,919,000	9.6
1969	257,000	2,314,000	2,571,000	10.0
1970	196,000	2,291,000	2,488,000	7.9

Source: "The Hired Farm Working Force" annual reports 1966-70, Economic Research Service, U. S. Department of Agriculture.

5. Wage rates per hour do not fully reflect the earnings of farm workers from farm work. Piece rate wages generally are higher than hourly rates, and farm workers often receive various perquisites which are not reflected in published wage statistics.

Average Wage Earnings per hour of All Hired Farm Workers - 1970

Workers on piece rate basis	\$2.03
Workers on time basis	1.72
All hired farm workers	1.74

Source: Computed from quarterly data published in various issues of "Farm Labor", U.S.D.A. Data do not include any allowance for housing, utilities, meals, food, transportation and other perquisites provided farm workers by farmers without charge.

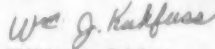
The use of migratory labor persists in agriculture--although it is declining--because it has been difficult to mechanize certain seasonal operations such as the harvesting of tree fruits and nuts. As a consequence, certain types of farmers need substantial amounts of supplemental labor for relatively short periods. The labor performed by migratory workers is primarily hand labor. While farmers have to compete with nonfarm employers for labor, neither a farmer nor any other employer can afford to pay as much per hour for relatively unskilled hand labor as

they could pay a highly skilled machine operator. In other words, the wages paid migratory farm workers are relatively low because the value of their services as measured by the volume of their output and farm prices is relatively low to their employers. In many cases the ability of farmers to pay higher wages is held down by actual or threatened imports--for example, imports of fruits and vegetables from Mexico have been rising at a rapid rate.

Farm Bureau has a deep and continuing interest in the welfare of farm workers. A copy of our current policy on Farm Labor is enclosed for your information.

We will be glad to work with your Committee in any way that we can.

Sincerely yours,



William J. Kuhfuss
President

Enclosure

P.S.: We should appreciate your making this letter a part of the hearing record.

Extract from "Farm Bureau Policies for 1971 - Resolutions on National Issues Adopted by Elected Voting Delegates of the Member State Farm Bureaus to the 52nd Annual Meeting of the American Farm Bureau Federation, Houston, Texas, December 1970."

Farm labor

An adequate farm labor force is essential to production of the nation's food and fiber.

We share a continuing responsibility to seek practical solutions to farm labor problems. Many of the educational, economic, and social problems of individual workers involve a general community responsibility. We urge State and County Farm Bureaus to support programs relating to the solution of these problems.

We recommend that State Farm Bureaus give consideration to undertaking educational programs for farmers covering the many requirements of state and federal laws relating to employment of farm workers.

Transportation of farm workers

We recommend that states not having statutes providing adequate safety standards for intrastate transportation of farm workers by motor vehicle enact such legislation.

Housing for migratory workers

We recommend that State Farm Bureaus support the enactment of state laws relating to proper housing standards for migratory workers. We favor faster tax write-off of investments in farm labor housing. Obsolete unused farm labor housing should be demolished.

Recruitment

The availability of competent farm workers continues to be a major problem during harvest and other seasonal periods.

We urge State Farm Bureaus to promote the initiation or continuation of farmer and farm supervisor training courses designed to improve farm labor-management relations and the effectiveness of supervision and training of workers.

We recommend that individual farmers and associations of farmers seek to reduce their dependence upon the public employment services by assuming greater responsibility for the recruitment, placement, training, and upgrading of workers.

We oppose any proposal whereby the public employment services would be assigned a greater responsibility for the recruitment and placement of farm workers or the writing of farmer-worker contracts of employment or would in effect become a crew leader or labor contractor.

We urge development, wherever feasible, of all local sources of labor. We recommend the employment of school youth in vacation periods. Under proper supervision such employment can be of benefit to farmers, students, and the community.

Foreign labor programs

We support the importation of supplemental foreign farm workers where necessary to avoid crop losses and disruption of farm production. Determination of the need for such workers should be the responsibility of the U.S. Department of Agriculture instead of the Department of Labor.

We oppose restrictions on the employment of foreigners lawfully admitted as permanent residents of the United States.

The predominant hourly wage paid seasonal farm workers within a state as determined by the State Department of Labor should be the "adverse effect" wage rate used as the criterion for the employment of foreign workers.

Employment of minors in agriculture

Young people should have an opportunity to work in agriculture. In most instances such employment has desirable results. Work experience is an essential part of the educational process and helps develop self-reliance and self-respect.

The opposition of many people to the employment of minors has led to a harmful limitation of employment opportunity. Unwise legislation restricting employment in agriculture can further limit jobs for young people.

The programs administered by the Agricultural Extension Service and vocational agricultural teachers have demonstrated that workers aged 14 and 15 can be trained in the safe operation of tractors and farm machinery. We recommend continuation of these programs.

We favor the enactment of state legislation governing the employment of minors in agriculture, with appropriate consideration to training and safe conditions of employment. Conditions vary so much that legislation in this area is best left to the states.

Occupational insurance

We recommend coverage of farm workers by occupational insurance, either under voluntary state workmen's compensation insurance programs or employers' liability insurance.

Farm product boycotts

We oppose efforts to force farmers to require their employees to join a union by initiating and promoting a boycott of any product in the marketplace. Product boycotts deny third parties the right to buy and sell. We will assist farmers affected by such boycotts in their efforts to maintain their markets.

Boycotts of agricultural products by labor unions effectively foreclose markets for entire commodities whether or not individual producers may be involved in a labor dispute—or hire any labor at all—and whether or not workers want to join the union.

They represent a real threat that only farm produce with union labels will be permitted to move into commerce. Such market pressures can ultimately be directed towards the compulsory organization of farmers.

We recognize product boycotts as market seizures that have assumed many of the characteristics of social revolution directed not only at the destruction of farm markets but the destruction of the market system itself. Elements of the boycott leadership have openly called for land reform patterned after the lines of Latin American confiscation of private property.

We believe agriculture and the nation must awaken to this peril which begins with an assault on farmers' markets, and can end in the destruction of our market economy.

Farmer-worker relations

We support the enactment of national legislation governing farmer-worker relations.

This act should be designed to fit special conditions in agriculture, including effective and fast acting remedies to prevent crop losses from strikes or boycotts. Guidelines to be followed in the development of this legislation should include:

(1) Farmer-worker relationships should not be subject to decisions of the National Labor Relations Board and the courts with respect to industrial labor relations.

(2) The right of workers to decide questions of representation or decertification should be protected by a secret ballot procedure.

(3) Workers should have the right of voluntary association. State laws relating to this issue should be applicable.

(4) An exemption should be provided for small operators in agriculture comparable to that for small businesses.

(5) If arbitration is included the procedure should be carefully designed to avoid the elimination of private bargaining and should be limited to questions of wages, hours, and working conditions.

We urge State Farm Bureaus to support the enactment of state legislation based on these guidelines.

USDA wage reporting

The U.S. Department of Agriculture has started the collection and publication of wage data on a national basis for piece rate workers. This provides more accurate and less misleading data than those previously published. We urge the Department to expand these statistical reports and to collect and publish piece rate earnings by states.

Wagner-Peyser Act

The Department of Labor's interpretation of the Wagner-Peyser Act that a labor dispute is created when a farm is picketed and that no workers shall be referred to any farm where a labor dispute so defined is considered to exist constitutes an unwarranted intervention of government in support of unionization of farm workers.

Farm Bureau labor department

We recommend that the American Farm Bureau Federation establish a farm labor department to assist with farm labor problems of farmers and State Farm Bureaus. This department should include a public relations program.

Senator STEVENSON. Since June, the Subcommittee on Migratory Labor has been asking questions about rural Americans—small farmers and farmworkers—and the land on which they live.

Our inquiry has brought us face to face with a vast upheaval in rural American—upheaval the more remarkable because it is, for the most part, unseen and unheard by most Americans.

Even those who have noticed it have not fully understood it. Often, in speaking of life in rural America we resort to statistics—and the figures sometimes disguise as much as they reveal. They tell us, for example, that Americans in great numbers have been leaving the farms and moving to the cities. But the numbers do not capture the hidden meaning of the rural migration: ruined hopes, deserted homes—a dying way of life.

The American dream, whatever else it may mean, has always had something to do with free men tilling their own soil: prosperous, independent citizens in control of their own lives, enjoying a full and fair return for their hard work.

The dream goes a long way back. Thomas Jefferson was its most eloquent champion. But it is still very much a part of our image of ourselves. Most of us still believe, or want to believe, that a man of modest means can survive and prosper by his own toil on land he calls his own.

There are some these days who consider that version of the American dream quaint, if not obsolete—like the buggy whip or the potbellied stove. They call themselves “realists.” They are devoted to progress and efficiency. They advance a new sort of ideal for rural America which emphasizes “bigness” and “economies of scale.” They do not mourn the passing of the family farm and the small town. They tell us that today the earliest version of the American dream is little more than a nostalgic fantasy.

I am not so sure. I am not ready to abandon that old dream until we study the alternatives—until we examine the new way of rural life admired by these so-called realists.

If reality must mean bankruptcy and frustration for the small farmer and farmworker, then what price reality?

If “progress” in rural America means hunger, disease and malnutrition, poor medical care and low educational standards, bad housing and decaying communities, then what price “progress”?

If “efficiency” means that we must have a permanent underclass of migrant workers, economically depressed and dispossessed, then what price “efficiency”?

If “economies of scale” mean that our cities must bear the pressure of rural outmigration, with its burden of welfare payments, unemployment, and social tension, then we can rightly ask if “reality” is worth what it is costing us.

We are concerned, in these hearings, about the human story which lies behind the statistics of rural change.

Since World War II, the number of farms in America has declined from 5.9 million to 2.9 million. Fewer and fewer people—or businesses—own more and more land.

In California, for example, 3.7 million acres of farmland are now owned by 45 corporate farms. One corporation, Tenneco, controls more than a million acres in California, and leases another 700,000 acres.

Nearly half the agricultural land in that State is owned by a tiny fraction of the population.

More than half the land area of the State of Maine, I am told—52 percent—is owned by about 12 corporations. And 86 percent of Maine's land area, by one estimate, is held by absentee owners.

In 1969, the largest 40,000 farms in America, less than 2 percent of the total number, accounted for more than one-third of all farm sales.

In 1960, only 1 percent of Florida's citrus lands were held by large farming-canning corporations. Now fully 20 percent of those lands are in such ownership.

Farmer Jones and Farmer Smith, those durable figures in American folklore—and American reality—are being displaced, all over America, by newcomers to the farm with names like Tenneco, Gulf & Western, Goodyear, Monsanto, Union Carbide, Kaiser, Boeing, and Dow Chemical, to name a few.

Meanwhile, one and a half million small farmers in America and a million migrant and seasonal farmworkers live in poverty.

In the face of figures like these, I think that it is important that we ask some hard questions:

What is the real meaning of this vast change? Are we promoting, in the name of efficiency and progress, the disappearance of the independent farmer—the decline of rural life?

What is the meaning, in human terms, of a radical new pattern of land ownership? Are large corporate owners enhancing the quality of rural life, or ignoring it in a headlong quest for profits? Is rural America owned, in short, by farmers—or by fastbuck artists?

Is the U.S. Department of Agriculture living up to its self-declared "moral and legal responsibility to farmers and farmworkers"? Or is it, through indifference, or design, or soulless "realism," abetting the destruction of the family farm—and of farm families?

Is public policy benefiting the public? Or do farm subsidies, tax breaks, wage laws, land reclamation projects, and agricultural research work inure to the special advantage of the biggest and richest farmers only?

If that is the sum total of U.S. farm policy, we must face the fact that we are not helping farmers—we are subsidizing Simon Legree.

Beyond these questions lie questions about the kind of America we are building:

Will it consist of teeming, troubled cities on the one hand—and a wasted rural landscape on the other?

Will a citizen in the America we are building be able to find a decent, independent life in a small town or on his own farmland? Or will he be a nameless worker in a vast food-processing combine, managed by a corporate owner?

Will rural America be dominated by its own citizens—or by absentees who care greatly about profits, and only vaguely about the quality of rural schools, rural hospitals, and rural life?

Will the goal of public policy be a decent standard of living for all Americans—or simply a higher level of profits for some?

Not too many years ago, we were a largely agricultural nation. The experience of rural Americans was the experience of a majority.

A generation ago, when economic disaster struck, John Steinbeck was there to sketch the devastation of the rural poor in unforgettable

detail. Walker Evans took his camera down the back roads of America and fixed in the American mind his stark gray images of empty houses, deserted farms, and rusting plows.

Now we live in cities. When we leave them, we race to our destinations in airplanes or on superhighways. What is happening in rural America, much of it, happens out of our sight and hearing. Rural Americans, no longer a majority, have lost voices which once spoke for them.

But the fate of America is still bound up intimately with their fate. The plight of our cities arises almost directly from their plight. All of us have a responsibility to concern ourselves with the questions which are facing them.

Our purpose is to find a national policy whose effect is not simply "efficiency," or "progress," or "economy of scale," but a decent life for all rural Americans.

In pursuit of such a policy, we are asking questions:

What is happening in rural America? Why is it happening? Who is responsible?

To begin with, we must ask who owns rural America—and so far in these hearings, it appears, no one in America knows.

Senator HUGHES. Mr. Chairman, I simply would like to compliment the chairman on an excellent statement this morning. The analysis of what appears to be the problem in rural America and our hopes for it is excellent. I certainly would like to be associated with it in the record.

Senator STEVENSON. Thank you very much, Senator. I am greatly encouraged and fortified by your interest, your hard work on this subcommittee. I am grateful for it. Thank you for your kind words.

Our next witness is Prof. Paul Wallace Gates of the University of Kansas.

Professor Gates was formerly a professor of history at Cornell University. He is familiar with the extent to which land grant colleges, in particular the Land Grant College of Cornell, are concerned about many of the questions which confront us.

He has served as chief consultant to a congressionally authorized Interdepartmental Committee of the Public Land Law Review Commission. He served on the staff of the Hoover Commission, on the staff of the Justice Department's Land Division, on the staff of the Bureau of Reclamation and Irrigation of the Interior Department.

He has served as a professor in Wisconsin and California within the past 3 years.

He is familiar with land ownership patterns and their effects in those States.

Professor Gates, we are grateful to you for joining us this morning.

**STATEMENT OF DR. PAUL WALLACE GATES, VISITING PROFESSOR,
UNIVERSITY OF KANSAS, LAWRENCE, KANS.**

Mr. GATES. Thank you, Senator Stevenson. I think I should add to that I am a born New Englander, raised and studied in New England, have devoted my teaching experience largely to New York State, upstate New York I should say, but my research interests have been in the West, in the public land area of the West. I have devoted an amount of time, equal I suspect, to 5 years at least, in research in the

States of Illinois, Indiana, Missouri, Kansas, Nebraska, and California.

I do not pose as an agricultural economist, and I would like to make it clear that I am a historian, and I will deal with the historical background of the problem rather than with the present issues. I am not able to comment on those present issues in the way that the agricultural economist or the rural sociologist can do.

With that as a brief introduction, I would like to proceed to read my paper, Mr. Stevenson.

One thing that has impressed me about the attitude of the young people toward our institutions is that they are not concerned merely with America's great capacity to produce in both the agricultural and industrial sectors. What they consider more important is the social costs of the methods we are using, the costs to our resources and to our environment. And we who are interested in the Nation's agricultural policy should also be concerned with the effect of those policies upon the most precious thing, our human resources.

At one time an ideal was held before the American people of making a nation of independent freeholders, and that was our attraction for people in other lands. Surely in a nation possessing such a large public domain this ideal would have seemed capable of accomplishment. However, financial problems initially necessitated disposing of the public lands to produce revenue for the Government.

Gradually this policy was modified in a more liberal direction until 1862 when the Homestead law was adopted. Under this liberalized land system hundreds of thousands of migrants from the older declining areas of the East and from peasant stock in Northern Europe rushed to the West to take advantage of the free lands, many having little realization of the hardships they would have to undergo before they could gain ownership of their tracts.

The results were spectacular. In a century 26 new commonwealths were created out of the public lands of the United States, in addition to three territories, which were shortly to be admitted. By 1900, 2,404,000 farms had been created outside the cotton South, which I have excluded because of the statistical problems relating to the plantation economy and the later sharecrop method of farming. Of this number, 30 percent were tenant operated.

Jefferson's ideal of a nation of small owners had not been completely achieved but surely the figures show that the public land system had worked fairly well in that direction. The Homestead Act marked a high point in the liberalization of the land system. Later measures that were planned to adapt the free land policy to the dryer portions of the Great Plains accomplished their purpose to some extent but were so carelessly drafted that they contributed even more to land accumulation by cattle, lumbering and speculative interests.

A few reformers, some of the populist leaders, Henry George, and others of the time, saw evidence of four pathological weaknesses in American society: (1) the rise of tenancy, which the Bureau of the Census became sufficiently aware of in 1880 to include in its data collection; (2) the growth of farm mortgages (the data on which was first to attract attention of the census takers in 1890); (3) the increasing evidence of land accumulation in the hands of corporations

and men of capital, though no census data then or later was to be available, and (4) the alarming movement of farmers' sons to cities.

Henry George brought some of these issues to public attention in his "Our Land and Land Policy in 1869," and in more details in his "Progress and Poverty." George had a wide following abroad and among many intellectuals but not among the politicians.

No President has been more sensitive to these and other social issues and to public reaction to them than Theodore Roosevelt. He became convinced that farm problems were not being satisfactorily met by the scientific work of the colleges of agriculture, the extension services, and the U.S. Department of Agriculture, and decided to call upon a most distinguished group of leaders to study them.

Rural America's most eloquent spokesman, Liberty Hyde Bailey, dean of New York State College of Agriculture at Cornell University, was asked to head the Country Life Commission and with him were appointed Gifford Pinchot, who was doing so much to alert people to the need for forest and water conservation, Walter Page, an eminent editor and publicist, and Kenyon Butterfield of Wesleyan University. They were asked to study the problems of farm folk and to report to the President the issues most needing attention.

After extensive hearings held all over the country, at no expense to the Government, the Commission presented a down-to-earth report, thoroughly practical and homey, and well worth reading today. The problems to which it called attention, in vain, have since grown worse.

The Commission was appointed at a time when farming was just reaching one of its most prosperous periods but the drift from the farm to the city, particularly by the young, was worrying many authorities and to it the Commission turned its attention.

Better education for farm children with emphasis upon rural life, more attention to rural health problems, were recommended but Bailey also in a masterly way drew attention to the existence of the fundamental underlying causes for the relatively meager income farm people received. These were land speculation, monopolistic control of water and power sites, excessive wastage of and concentrated control of a large portion of the standing timber of the country, and wasteful cutting practices and restraints on trade which substantially increased the returns to capital and costs to consumers.

Not until 1889 were any limitations placed on the amount of public lands individuals could acquire and even thereafter the restrictions were not particularly effective. During the course of the previous century a very considerable portion of the public lands had been first acquired for speculation by land companies, eastern capitalists, and groups largely operating in the timber and cattle industries. Few States had been more affected by this large-scale speculation in public lands than Michigan from which Bailey had come.

The strictures against this speculation and the unfortunate effects of it which are included in the report of the Commission might well have been taken verbatim from Michigan papers: diffusion of population and thin development resulting in the slow extension of roads, schools, churches, and other social institutions, slow introduction of transportation improvements so necessary for the farmers to market their surpluses, the heavier debts resulting from the higher prices

later settlers had to pay for the land they bought of the speculators, and the emergence of tenancy were all in part attributed to the intrusion of the speculator between the settler and the Government.

It may be useful to review for a moment the extent to which land speculation flourished on the frontier in the 19th century. A recent study of the sale of public lands in central Iowa, for example, shows that three-fourths of the land which was not given to railroads or to the State was first entered for speculation and that some entries ran as high as 100,000 and 200,000 acres.

In the prairie section of central Illinois precisely the same extensive speculation in land led to the accumulation of holdings as high as 40,000 to 100,000 acres. In fact, throughout the entire 19th century this process of land accumulation went on, made possible by the ease with which the settlement laws could be abused. The greatest concentration occurred invariably in areas particularly well adapted to large-scale farming on a grain-livestock basis.

I have shown elsewhere how out of these holdings there developed in the prairies of Illinois, Indiana, Iowa, and elsewhere, estates operated by tenants such as the huge Scully holdings in Illinois, Kansas, and Nebraska, the Brown family holdings in Nebraska, and the Fowler holding in Indiana.

Large-scale ownerships of lands in California have been created by the huge Mexican grants which the United States confirmed. These large holdings have been enlarged and new ones created by the unrestricted cash sales policies and the grant of choice valley land to the State under the pretext that it was swamp or overflowed. From such sources the firm of Miller & Lux built up its huge 750,000-acre holding.

I mention these 19th century developments because they have a bearing on our present problem. Many of these large holdings are still in existence and have passed to the third generation.

Congress has given great bonuses—at public expense—to these holders of land accumulated in large quantities for speculation. In 1902 Congress adopted what was intended as a second Homestead law—the Newlands Reclamation Act—to use the income from public lands for the building of dams, reservoirs, canals, and ditches to conduct the stored water to reclaim dry land for agriculture. Benefits of the act were to be confined to small 160-acre farmers, and close restrictions were written into the law to assure that further accumulation of potentially irrigable land would not be permitted.

If the framers of this act really believed that their measure would make possible the creation of many thousands of small farms on which persons could homestead, they were misled. The beneficiaries seem to have been to a large degree the foresighted speculators and other large owners of land who had anticipated the Government.

Other Government tactics that have contributed to land accumulation and the enlargement of farms has been the remedial legislation undertaken in the Great Depression of the thirties. Unmarketable surpluses of wheat, cotton, corn, and other staples induced the Government to adopt an intricate series of measures and policies to bolster commodity prices and reduce surpluses.

Among the devices was the allotment policy by which farms were assigned definite acreages to be planted in cotton, wheat, or tobacco.

The farmers' response to acreage reduction has been to select their best land for these crops, prepare the soil most carefully, use heavy applications of fertilizer, top dress with liquid nitrogen when the crops were well along, and apply chemical weed destroyers. The result has been that the output per acre has increased sharply. Further reduction of allotments threatened to reduce the acreage in these crops to a point where the big tractor drawn plows and other machines could not be profitably used. A solution that many farmers came to was to buy their neighbor's property with its allotment and thus bring their total allotment to the desired size.

By 1957, the huge payments to capitalist farmers whose holdings ran to many thousands of acres became a national scandal. The \$1,900,000 commodity loan to the Delta & Pine Land Co., the \$354,000 to the Leo Horrigan Farms to enable them to withhold their crops from market, the \$209,000 paid to Jack Harris for not planting cotton on a portion of his 25,000 acre holding in Arizona, and the \$278,000 paid the Garvey Farms for not sowing wheat on 22,779 acres created much resentment against the farm program. It seemed to many that the control program was rapidly accelerating the disappearance of the small farmer and contributing largely to the profits of the big individual and corporate holding.

Another Government development that has drastically changed land values and encouraged concentration of ownership has been the construction by Government of giant levees on the banks of middle western and southern rivers to keep out the flood waters of the spring runoff. The levees have made possible the transformation of low lying and perennially flooded areas of little value into the richest cotton, rice, and cane producing land in the South, and with little or no cost to the owners.

It is in the levee-protected region of the delta of Mississippi that one of the largest foreign ownerships of agricultural land—38,000 acres—is to be found. The four principal States benefiting from this levee construction had, in 1959, 2,581 farms of more than 2,000 acres and 109 of more than 10,000 acres.

FARMS IN EXCESS OF 2,000 ACRES

State	Farms of over 2,000 acres		Farms of over 10,000 acres	
	Number	Acres	Number	Acres
Alabama	733	2,955,763	30	520,206
Arkansas	526	1,911,108	17	249,652
Louisiana	562	2,550,611	39	724,682
Mississippi	760	2,847,077	23	421,800

Such concentration of ownership was made possible by the lavish way the Federal Government gave away what seemed to be comparatively worthless swampland to the States which, in turn, conveyed it to land companies, speculators and influential politicians on the understanding that they would drain the land, which they failed to do.

Finally, the Government was persuaded to build the levees and to provide a great boon to the landowners whose holdings acquired high value. No attempt was made to assess abutting property owners for the bonus they received.

Meantime, other developments of 20th century America have contributed to concentrate the ownership of farmland, especially highly productive farmland, into an even smaller number of hands. These are the advantages which come from large-scale operations of commercial farms and the large amounts of capital to provide the livestock, machinery and other equipment, and the Government's crop control program.

What were farms in 1920 may only be fractions of farms in 1971 because the technological revolution on the farm and ranch requires greater quantities of capital and larger units of land to justify the use of the great tractor-drawn or self-propelled soil preparing, planting, and harvesting machines presently employed.

In the States where homesteading last existed, the average size of farms and ranches has increased in the past 50 years between 300 and 400 percent. Elsewhere the increase is less marked, but for the entire country the average size has more than doubled. Conversely, the number of farms has diminished during these 50 years by just one-half, though the acreage in farms has somewhat increased. While the population of the country increased from 122 million in 1920 to an estimated 196 million in 1964, the number of farms partly or fully owned by the operators dropped from 3,926,000 to 2,600,138. Thus, fewer and fewer were owning more and more.

The capital costs of entering farming today are enormous. I speak with some interest, for I know both the capital my grandfather had in his successful operation of an average sized farm in New Hampshire when he retired in 1920 and the capital cost that my son became involved in when he purchased 3 years ago a 250-acre New York State farm with 50 milk cows. The latest data from the census of 1959 shows that the average farm in New York has a value of \$53,299; in Kansas a \$91,131; in Iowa, \$93,694; and in Illinois, \$118,507.

Government subsidies to agriculture have been many and varied but the subsidies to irrigation projects in the western third of the country have paid the greatest dividends. They have made possible the irrigation of millions of acres of land, to a very considerable degree held in large ownerships, and have provided low cost water and power for urban growth and industry.

What would that area be today without the water and hydropower of Hoover, Grand Coulee and many other dams? Had the Federal Government and the States displayed the same concern about retaining people already on the land, as the Country Life Commission strongly urged, as they did in peopling the potentially irrigable areas in the West, it is possible that such rural folk and their children even on hill farms might have found life there as satisfactory and perhaps more rewarding than they found competitive life in the city.

I am reminded of the Dutch economist I once met who told me that his government was expending millions of guilders to extend the polders further into the North Sea—after the Second World War—by a series of dikes that, after construction and desalinization of the land, would provide farms for the surplus population of Holland. The economist thought there was no prospect that these farms would ever return any economic rent but they would enable the Nation to keep its people and to keep them on viable family farms.

Could not the States of the Northeast, from which rural population has not been flowing for a century—could they not have done as well in retaining their people on lands now growing up to sumac, briars, gray dogwood and scrub brush and trees of no commercial value if they had assisted them with guidance, the best of practical farm education, tax relief and other subsidies, and good roads kept open in winter in those hill areas?

The Country Life Commission declared in 1911 that the underlying problem "is to develop and maintain on our farms a civilization in full harmony with the best of American ideals." The rural areas were depended upon "to supply the city and metropolis with fresh blood, clean bodies and clear brains that can endure the strain of modern urban life; and to preserve a race of men in the country that, in the future, as in the past, will be the staying strength of the Nation * * *"

Persons sensitive to farm problems and the welfare of rural people, it is surprising to find, have until recently watched with complaisance the growing enlargement of farms, consolidation of farm units, and the disappearance of families who have gone to try life in urban centers. Even the people in the marketing centers where these now migrating families had once brought their cattle, hogs, grain, and milk and had purchased their supplies, patronized the local theaters, churches and other social institutions were only made aware of the movement by the contraction of their businesses.

The small town was becoming a major casualty as the farm population shrank and throughout the West was in the process of becoming a mere crossroad hamlet, then a ghost town.

Other factors of course contributed to this transformation, especially the ability of those farmers who were better capitalized to go farther afield on good roads and in fast cars and trucks to dispose of their goods and do their shopping. Rural sociologists regret this decline. In rural America, including the small towns and villages, they observed virtues not seen in urban America: an awareness of and concern for the welfare of others, ease of working together for common purposes, widespread response for calls for aid when tragedy struck, keen interest in the political affairs of the community and respect for its institutions.

In contrast to the complaisance of the West toward its diminishing population base, the emergence of the corporation farm has aroused strongly antagonistic feelings, that led to calls for restricting and indeed punitive legislation against them.

One can hardly pick up a farm journal or a publication of the Farmers Union and the National Farmers Organization without finding stories of some of the great corporations, originally organized for industries quite remote from farming, which are now planning to begin large-scale operations in farming. Corporation farming is not altogether new. It has existed in California for a generation or more and in a large way.

Giant among the corporate farm operators is the Kern County Land Co., now owned as a subsidiary by Tenneco. This company is the present-day result of the huge land purchases made by James B. Haggin and Lloyd Tevis of entire Mexican ranchos, plus the entries of thousands of acres of State swamplands, and the employment of scores of dummy entrymen to file on dry land under the Desert Land Act.

Haggin and Tevis were not mere speculators as were numerous of the large owners of prairie lands in Illinois and Iowa, for they began to drain wet lands and conduct water on their desert lands for farming, either by tenants or by hired labor. Ultimately, they placed their property in the hands of the Kern County Land Co. which from its farm operations and large oil royalties has paid fabulous dividends.

Other great California holdings are those of the huge Tejon Land Co., the Southern Pacific Railroad, and the Newhall holdings all dating from the early days of American occupation. The Southern Pacific Railroad retained its grant of 1864, in part, though with other land grant railroads it persuaded the Government to give up the land grant rates by which in return for the original donations the railroad agreed to carry Government traffic at reduced rates.

Senator Nelson's report from the Select Committee on Small Business on the "Impact of Corporation Farming on Small Business" admirably illustrates the questionable results corporation farming has produced for agriculture and for businesses that serve the farmer.

In conclusion, I would like to emphasize what I said in the beginning: We, and especially our young voters, have come to realize that what is fundamentally important for us is not our ability to produce—by the economies of large-scale production—but the effects of those methods upon our resources, physical, environmental, and human.

This country once had opportunities for landownership that attracted population from lands of great estates owned by an aristocracy and worked by landless peasants. Are we now coming full circle?

Is America to become a country in which an aristocracy of landlords and corporations shall be allowed to monopolize our best lands and work them with landless laborers and rootless migratory laborers, ill provided with the amenities of life?

Are the lines Oliver Goldsmith wrote of 18th century England becoming applicable to America?

Ill fares the land, to hastening ills a prey,
When wealth accumulates and men decay.

The quality of life in America is decaying as its farms and farm families decrease in number, its small towns decline, and the problems of its ghettos are intensified.

Senator STEVENSON. Thank you, Professor Gates.

I should say at the outset that we sought you out, because I thought it was important in these hearings to establish the historical setting as a means of helping us to understand the trends over the years, as a means of understanding more what is happening now, and what is likely to happen in the future, unless public policies are changed.

I think you have done that extremely well. It is very helpful to us to have this historical setting which you have provided in your statement.

Is it not true that public policies over the years have favored the exploitation of land for many purposes?

You mentioned the railroads. Could you expand a little on your statement by discussing other public policies which have tended to favor the exploitation by large corporate interests; for example, the timber and mineral resources?

You mentioned land values. I know of some areas in my State, in Illinois, which were selling about 20 years ago for a total of \$15 and

\$20 an acre. Today, that land is selling for anywhere between \$400 and a thousand dollars an acre. Not because it has any real agricultural value. The land values have gone up in this particular area out of all proportion to the inflation of the dollar, out of all proportion to the agricultural value, because the land has acquired a new value, in this case recreational value.

We find in this particular area of Illinois corporations acquiring land to develop little plots for people on weekends.

There seems to be a good deal of money made in the acquisition of land and sale of lots to small owners for recreational purposes, with, I might add, in this particular case, very little consideration given to the burdens on the local community for additional police protection, fire protection, and so on.

We have very little evidence, I guess, on the increases in land values. In this case, the land is being priced out of the reach of most individuals. Notwithstanding the fact in Illinois it is potentially the best recreational land in the State, it is being priced out of the reach of our State government to be used for public recreational purposes.

Could you tell us a little bit more about the trends over the years, and the influence of public policy in the other nonagricultural areas?

MR. GATES. You mentioned the question of timber ownership. Just before the end of the Theodore Roosevelt administration, the Bureau of Corporations was established. One of its first purposes was to make a survey of the control and ownership of standing saw timber in the United States.

They published their results in 1911. It was in line with the views of Gifford Pinchot, and he had a considerable part in shaping the plans for the study. But for the first time, we had an adequate understanding, as a result of that investigation, of the way the large timber holdings, what was then the Long Bell Co. and the Weyerhaeuser interests, and the Stephenson interest in Wisconsin and Michigan, and other large holdings, had been established.

Until 1891, there was no limitation on the amount of land that individuals could acquire almost anywhere, of timberland. Even after 1891, it was still possible to use various legislation that was designed for settlers, but could be abused by representatives of the lumber companies, to acquire choice Douglas-fir land in Washington, redwood land in California, or still valuable pine land in Wisconsin and Minnesota.

The Bureau of Corporations' report, which is in effect an indictment of the whole history of the American treatment of public lands, and particularly with respect to the forest cover, it showed how out of these neglectful policies of the Government, large-scale monopolization had been established.

A monopolization still exists, for that matter, because the Weyerhaeusers still have the land they owned at the time the Corporation's report was made. Although there have been some changes in corporate structure, the ownership still is as largely concentrated as it was at that time.

When I was making a study of your State, Senator Stevenson, I learned that business leaders of Bloomington, which I think you must know pretty well, and the Chicago people invested in real estate down-

I had wished that the census of the United States would give some attention to the investments. The census works on the basis of counties. It is not interested in individuals. An individual like William Scully and his descendants, who owned around 200,000 acres of land, they are not interested in determining their ownership. All they are interested in is knowing the size of individual farms in, let us say, Logan County, where a large part of their Illinois land is centered.

I remember there was an agricultural editor of the *Bloomington Pantograph* who gave a good deal of attention to the agricultural operations of the State. I remember some of the stories that he wrote about the investments of the Chicagoans in downstate real estate, that it was becoming almost a fad for persons of wealth and means to invest in land, and at their country club and club meetings they discussed with others their livestock, their corn and hog ratio, and other such esoteric issues.

Well, the point that I have been most interested in is the relationship between the original entries, or the original acquisition, of land by speculators of one sort or another, individuals, companies, land groups, foreigners, what not, and the ability of those groups, notwithstanding all of the restrictive and critical legislation, and there has been considerable, to hold that land and develop upon it until today we are getting an increasing knowledge of some of these large ownerships.

In the 19th century, except where there was a good deal of hostility in a local community to large ownership, there was very little attention devoted to it. The one large ownership in Illinois that received attention was because it was owned by a man with English citizenship in the first place; in the second place because his attitude toward his tenants was that of an Irish landlord rather than of the American landlords, and he was in ill repute both with his tenants and with the papers in the community where his land was located because he insisted on the tenants making their improvements, and the improvements they made were slight. They were not sure how secure their investments were. They owned the improvements, but their meager resources prevented them from making anything but the slightest improvements.

Furthermore, they tended to oppose taxation for schools and roads, and the social facilities in those communities of the Scully holdings were in the 19th century distinctly lower than those in other parts of the State. I think that is no longer the case, but in the 19th century, there was considerable opposition, reaching a high point when the State of Illinois in the 1880's adopted a law the purpose of which was to ban alien ownership of land, and the Scully family—this was William Scully—then took out citizenship in Washington, which enabled him to get around the law.

The law probably would not have stood up in the test of the courts, anyway, but it was interesting that after Illinois adopted that law, most of the Western States, Kansas, Nebraska, and others, adopted similar measures designed to prevent prospective creation of estates by aliens. Of course, they could not have any effect on existing large ownerships that were held by the Scotch and English capitalists in the cattle country of Kansas, Nebraska, Colorado, and Wyoming.

We have a lot of information about the breakdown and improper use of the settlement laws of the 19th century by the cattlemen. In fact, this

is a part of our land history that is best known. We have statistics of the amount of English and Scotch capital that was invested in American land, and the amount of acreage that was acquired. That is pretty well known.

But the part that is less well known is the part of the absentee owners, whether they are in Chicago or elsewhere. There is very little in print about that, because it is not easy to find. You cannot get any information on that in the census records unless you go to the original census schedules, and that would necessitate doing all over again the statistical work that the Census Bureau has done. Nobody has done that.

Senator STEVENSON. Even the agricultural census is not a valuable source of information?

Mr. GATES. It is valuable. I would not want to give that as my impression, at all. It is a very valuable source. In fact, I think I have badly worn the census volumes, the agricultural census volumes, in the Cornell Library, I have virtually worn them out. I have used them so much. But they are nameless, there are no names there in the first place.

To cite the simple illustration again—I don't want to harp on the Scully family, but the Scully family owned land from the 1850's in three or four Illinois counties. I could not get a bit of information on that from the census, because the census does not give anything about ownership, other than that a farmer is an owner of his land. It does not give anything about landlords, absentee landlords, at all.

Senator STEVENSON. Is Illinois unique in this respect because of our unique law which permits land trusts? Are you familiar with that law? Land is placed in the trust. Really only the title is placed in trust, but it does effectively conceal the ownership in Illinois of both urban and rural land. I think that law is unique.

Is this problem of ascertaining land ownership unique to Illinois?

Mr. GATES. I think it would be. I have been concerned about this not only in Illinois but in quite a number of the Western States.

Now, the Scully family in recent years have made their records available. We have had one or two studies made, and another one is in the process of being made. But some of the landlords are still not anxious to open their records. This has slowed down investigations of this sort.

The only way you can accumulate that information is going to the counties. There are over 3,000 counties in the country. It may take a long time in an individual county to work up the story.

One of the things which has been helpful to me has been the publication of those county plat books, that I have used a great deal. They are exceedingly interesting. But they are always way behind, way out of date.

Senator STEVENSON. If the Congress were to commission a study of land ownership patterns in the country, would it be possible at this point in history, with such laws as the land trust law in Illinois and the secrecy which you have alluded to, to complete such a study and produce the information which could tell us who owned the land in rural America?

Mr. GATES. There is no limitation or restriction on the use of the county records. When I was doing my "Fifty Million Acres," which is

a study of land disposal in Kansas from 1854 to 1890, I worked the county records of 30 eastern Kansas counties.

I remember in one instance the local abstractors, who were using the county records at the same time I was, seemed to be somewhat miffed at the fact that I was using them. I had not introduced myself or made any statement as to why I was there.

I later heard that they thought I was working in behalf of the Torrance land law that Australia has experimented with, that might do away with the need for relying on the abstractor. I had no such intention, of course. I was simply concerned with the accumulation of data that the census did not provide for me, and of the history of some of these estates which I could find from the county deeds and the mortgage and tax records. The latter were not in all instances extant.

I don't see any reason why a study could not be made, and why it could not be made effectively, although it would take a considerable amount of time. It would be very useful.

Senator STEVENSON. Are we able to discover in the case of large corporations the extent of their holdings?

Mr. GATES. The Bureau of Corporations got that in 1911. They showed ownership maps of every one of the major timber companies as of that time. Some of them, like the Weyerhaeusers, bought a million acres from the Northern Pacific Railroad. There are alternate sections on the alternate section patterns that were granted to the railroad, but they were able to fill in by acquiring through dummy entrymen the Desert Land Act, or the Forest Purchase Act, they were able to fill in many of the sections, also, so that today a considerable part of their ownership is blocked out.

Senator STEVENSON. Would it be difficult, with the advent of agribusiness, to put together information on the extent of corporate holdings of agricultural land? Do you anticipate cooperation from the corporations?

Mr. GATES. I cannot comment on the support that you might get from the corporations. Business, generally speaking, today is more willing to open its records to historians than it was in the 19th century or in the early part of the 20th century.

The old notion that a businessman had of the historian was that he was interested in accumulating the dirt. They pointed to Gustavus Meyer and some of the nonprofessional historians of the 19th century who were concerned with monopolistic issues, and exaggerated the data, and perhaps were not very careful with their conclusions.

The historian, the professional historian, today is I think not at all interested in muckraking. In fact, one of my students once asked me why I did not pay any attention to the scandal theory of history. He mentioned Benjamin Franklin, and said that his private life was more interesting in some ways than his public life, why did I not give a little attention to that. Well, I said that was not basically important in a study of American history. I was much more interested in his public career.

But actually, business has generally changed its attitude. Most of the railroads have opened their archives. The first of them was the Illinois Central that opened its archives to me, when I made my dissertation on the Illinois Central Railroad. Then the Burlington Railroad, after its records had been used for a time by Richard Overton, went so far

as to donate its whole manuscript collection of material relating to its land policy to the Newberry Library in Chicago.

I think the businessman's attitude today is much different from what it was in the 19th century, but some of these new corporations that are moving into agribusiness may be more sensitive, especially in light of some of the things that congressional committees are doing.

Senator STEVENSON. You flatter us.

Senator HUGHES. do you have any questions?

Senator HUGHES. Thank you very much, Mr. Chairman. Really, I guess Dr. Gates, the primary interest I would have right now is a projection into the future. Can you make any logical projections from the history you have studied as to what the next 20 years hold?

Mr. GATES. I wish you would not ask me that. The only time I tried to do that was in the election campaign in 1938. I had been very active in the campaign in 1936. I had been much elated with the results. I thought on the basis of the same studies that I had made for 1936, now in 1938, that the Democrats were going to win, and win well. My predictions were wrong.

I went so far as to write a little story on it for a student newspaper called the "Aeropagus." The next day I decided to stay home and not go to class. I was fearful of the reaction I would have from the students.

I would prefer not to do that. I am not in the position to do that. Your agricultural economists and your sociologists are willing to and are equipped to handle questions of that sort. It does seem to me that the tendency is to move in the direction of corporate farming. The number of incidents that you see in the press of companies that are moving into that direction is rather startling it seems to me.

Senator HUGHES. Have you done any comparative studies in capital investment, that is, in relation to nonagricultural business?

Mr. GATES. No; I haven't. My work has been mostly devoted to ownership and not to efficiency of operation or returns. In fact, I know very little about the returns of these except where there are records. There are a few cases in Illinois where estates are in public hands, in semipublic hands, it was necessary for the estate management to file an annual report showing profits and losses, expenditures and balances and so forth and that was a very interesting series of documents.

But I haven't gone into that aspect of it, no.

Senator HUGHES. Then one final question. It is not a question but I guess it is an appeal for advice. Could you advise the committee from your historical experience of any direction to proceed in our investigation that we are not covering?

Mr. GATES. I thought that Senator Gaylord Nelson came very close to some very fundamental issues in questions he asked the agricultural economist at the University of Wisconsin. I suspect that in our farming management records at Cornell we have information about profits and losses. I know from talking with Stanley Black who is professor of agricultural economics and a very distinguished and extraordinarily able man in his field, that he has intimate detail on many farms because the farmers are cooperating with him in providing data on inputs, outputs, profits and losses, and so forth. He has intimate data about their operations.

I cite one little story. I went to a farm auction one time just for curiosity, I was not interested in buying but I wanted to see how they handled this farm auction. It was a good farm. I found myself half-way along standing besides Stanley Black. There were two bidders toward the end. They were bidding up fairly high. I asked Stan if he knew either of the bidders. He said he knew both. He had records of both. He predicted which one could best pay the amount that the bid had reached. The less able man, whose record was not quite as efficient, quite as successful, got the land.

A few years later I saw Professor Black. He said the buyer had lost the farm. It was in line with his own projection at the time.

I just cite that as an incident. This can't be unique about the College of Agriculture at Cornell. I think this is being done in all of the State agricultural colleges. I think they do have elaborate records of the profits and losses, the inputs and output results of the operations of these farmers. It might be that someone could look over those records for the kind of thing that this committee is investigating. It would be very useful.

Senator HUGHES. Thank you very much, Dr. Gates.

Thank you, Mr. Chairman.

Senator STEVENSON. Professor Gates, you taught at Cornell for a long time, and it is one of the great land grant colleges. Can you tell us anything about the effect of land grant colleges on either the retardation or the acceleration of concentration of landownership and the evolution of agriculture business in the country?

Mr. GATES. It is my judgment that agricultural economists generally speaking, and I have known exceptions, that agriculture economists teaching in land grant institutions are concerned with profits and losses rather than human problems. I would like to stop there on that issue.

Senator STEVENSON. Do you know any communities in this country that it would be useful to look at in order to learn a little bit more about the effect of agriculture business? I am thinking of some hypothetical community, some hypothetical rural community which has land acquired by large corporate farms.

We have heard testimony about the effect that corporate farming has on the little merchants in such communities, on the small bankers, the farm supply dealers, equipment dealers, civic activities, churches and so on. Can you think of any communities in the country that could afford us the opportunity to study the effects of corporate farming?

Mr. GATES. The case you cited, Senator Stevenson, of the Kern County Land Co., is really unusual. In the first place that land has always been in the hands of, first, Haggin and Tevis and then the present Kern County Land Co. which is a subsidiary of Tenneco. I was in touch with the authorities of that company when it was an independent company. In fact I thought at one time I would like to write a history of it because its records I suspect are fairly complete.

The company officials replied that they would do everything they could to aid me. But other things came up and I have not pressed the matter.

No; I really don't know of comparable instances of that sort. It seems to me this is a little unusual because it was primarily, although its profits were much larger from oil, a farming company. Another

is the Tejon Land Co. which is just south of the Kern County Land Co., in Kern Co. and partly in Los Angeles County.

I see their reports regularly. That is still a relatively small company. It does not seem to be tied in with any large company such as the Tenneco Co. and the Kern County holdings.

The Southern Pacific has a huge owning, part of which I understand is farmed. But the Southern Pacific has never been inclined to open its records. It may be one of the few railroads that has not. Most railroads today are anxious to have their histories written, indeed many of them have hired historians to write them, letting them have their records.

Senator STEVENSON. The law does not intend farms of more than 160 acres to benefit from Federal irrigation and land reclamation projects. Why has not that law worked?

Mr. GATES. A married man under the law and under the interpretation of the law may have water for 320 acres, as I understand it.

Senator STEVENSON. Is that the principal reason?

Mr. GATES. That is the only exception.

Senator STEVENSON. That is the only exception. Is that the reason?

Mr. GATES. There are various reasons why the Government has allowed the public water provided by the expenditure of billions of dollars to benefit large owners, contrary to the intent of Congress and the fundamental purposes of reclamation legislation. I judge that the major reason is that the public officials have been reluctant to enforce the excess lands provision of the law by compelling the large owners to dispose of their surplus lands to small holders.

Senator STEVENSON. The law has not worked very effectively I gather.

Mr. GATES. No; it has been quite ineffective.

Senator STEVENSON. I thank you again, Professor Gates, for being very helpful to us this morning, traveling a long distance to be here.

Mr. GATES. Thank you, Mr. Chairman.

Senator STEVENSON. Our next witness is Mr. Charles Frazier representing the National Farmers Organization.

The NFO as we all know has been concerned about the problem of family farmers in the country. Its membership is daily coming up against these problems which we have been discussing this morning. I thank you for your willingness to come here and help us with the benefit of your views, experience, and observations.

STATEMENT OF CHARLES FRAZIER, DIRECTOR, WASHINGTON STAFF, NATIONAL FARMERS ORGANIZATION

Mr. FRAZIER. Thank you, sir. By way of introduction may I say that President Staley would have liked to be with you here today and at one time had planned to do so but some rather unavoidable conflicts made it rather difficult; he couldn't make it. Further by way of introduction may I say that I spent a little better than 30 years in the Department of Agriculture. I have only recently become associated with the National Farmers Organization and welcome this opportunity to appear before you.

By reason of my previous experience and background perhaps I can be of some help to you on questions other than those that may be covered by our prepared statement.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today in behalf of the National Farmers Organization because of the direct relationship between the major goals of our organization and your interest in the migratory labor group that is so important in the whole pattern of agricultural production.

The National Farmers Organization was first formed in October of 1955, essentially as a protest group concerned about the prices of major agricultural commodities prevailing at that time. In recent years, the organization's major effort has been devoted to collective bargaining for better prices and terms of sale for its members under authority of the Capper-Volstead Act of 1922 and related legislation. We are actively engaged in the marketing of most major agricultural commodities in various areas throughout the 48 contiguous States.

As these bargaining activities have expanded and we have gained experience, our officers and membership of the organization have become keenly aware of the recent rapid rate of expansion into the field of farm production by many large corporations and conglomerates. In our opinion, this trend of recent years threatens the very existence of the family owned and operated farm unit that has played such an important part in our American economy throughout the history of this country. We believe a large proportion of these family farms are efficient and they are still important in the whole chain of food production for our people.

In some instances, large corporations or conglomerates appear to have entered agricultural production only as an act of business judgment, seeking diversification for the deployment of their resources.

In other instances, large corporations whose principal business is in the food processing, distribution, and retail field evidently have entered into agricultural production in the belief that they are gaining certain economic advantages over their competitors.

For example, Del Monte Corp. claims to be the largest producer of canned fruits and vegetables in the world. It also has become a very large farmer through the ownership and operation of thousands of acres of land in California and elsewhere. The company operates processing plants here and abroad. They own restaurants, can manufacturing facilities, trucking concerns, an ocean terminal, a label printing outfit, and many other operations that may relate directly or not at all to food processing and sales.

Our organization recently published some of the corporate connections of the Ralston-Purina Co., the largest of the poultry and hog integrators. This step was taken simply to inform our membership of the tremendous competitive advantage enjoyed by a large corporate structure when it chooses to compete at the producer level—and to illustrate the necessity of farmer cooperation in a bargaining effort they themselves control and operate. Directors of the Ralston-Purina Co. hold positions with Kidder, Peabody & Co., the New York investment house; General Motors, which needs no introduction here; the Royal Bank of Canada; NBC; RCA; Texas Gulf-Sulphur; R. H. Macy & Co.; certain electric utilities and railroads here and in Canada—in short, a Who's Who of the American financial establishment.

Such widespread influences existing within the management of a single large corporate structure provides almost unlimited resources

and a special form of buying power for machinery, chemicals, fertilizers, and other requirements of production. It certainly enhances the competitive advantage over individual farm owner-operators in a manner that almost defies description.

The National Farmers Organization has advocated the passage of legislation that would require corporations of the type just described to divest themselves of all interest in the ownership and operation of agricultural land and production facilities. We will not belabor the point at this time, nor will we initiate a discussion as to why the Department of Justice and the Federal Trade Commission have not taken an active interest in the antitrust or antimonopoly aspects of the large corporate farming operations. It is intended to show that there are several aspects of the development relating directly to the status of migrant workers who constitute the bottom of the personnel ladder in our whole food production and marketing setup.

A major point to be made is the possible loss of a whole class of capable farm management personnel in this country—and I refer again to the experience of Ralston-Purina. It is well recognized that independent integrators and a number of large corporations converted the production of practically all broilers in this country from the independent farm producer type of agriculture to the centralized factory type of production in a period of less than 15 years.

In the October edition of *Broiler Industry*, an extensive account of interviews with the management of Ralston-Purina describes the history of the company's experience in broiler production. This review was sparked by the company's announcement on September 16 that it was seriously considering divestiture of all broiler production facilities. It reportedly would sell \$40 to \$50 million worth of broiler inventory, plants, and equipment.

As late as the mid-1950's Purina still sold all chicken feed through their local dealers. The dealers were drawn into heavier commitments in financing production by the depressions in 1957 and 1959. It moved first into a stage of joint venture operation with the dealers who, in turn, were contracting with growers. In 1961 the company proceeded to a full integration of feed production, hatcheries, egg and turkey production, broiler processing, and distribution.

New sales of Ralston-Purina Co. increased from \$647 million in 1961 to \$1.57 billion in 1970—these sales are expected to reach the \$2 billion level this year. The company is now involved, in addition to being the largest single livestock feed producer in the United States, in soybean processing, pet foods, restaurants, and a broadened line of consumer food products. The decision to dispose of the broiler business apparently was reached in a logical businesslike manner—they have concluded that broiler prices are cyclical and the return on investment does not measure up in comparison with other phases of the business.

In other words, the Ralston-Purina executives have discovered something that thousands of small producers also learned the hard way before they were forced out of production. A decision also was made to dispose of the egg production facilities. The company will retain its turkey production setup and certain facilities to market broilers and Cornish hens. There are no reports that the company effort to produce hogs will be dropped.

If this announced intention to dispose of some of its production and processing facilities represents a probable trend during the next few

years in the management decisions of some corporate structures who have entered agricultural production, one may draw certain conclusions. In practical terms, this corporation participated effectively in displacing a large proportion of the owner-operators who were producing a needed food product. It would be nearly impossible to reinstate owner-operators in this field once they have been broken or forced to move to other types of income.

Management know-how has been lost at the farm level. Now it is endangered at another level as production hereafter will be concentrated in even fewer hands. It would appear that competition between the giants will be lessened when some of them drop out of the game—and it is readily apparent that only very large, well-financed buyers can consider purchases of the magnitude contemplated by Ralston-Purina. Several questions immediately come to mind: Is the long-touted efficiency of bigness really all that it is cracked up to be? Can the corporate structure provide the knowledgeable management necessary to cope with the many varied hazards involved in agricultural production?

If they undertake it, wipe out the family farm structure and then fail to produce at reasonable prices, will the consumer then be provided with food produced by only a few corporate giants at prices such as we have in prescription drugs today? In some instances consumers are already offered foods that are tasteless and uninteresting because they have been developed largely to satisfy the requirement of mechanical picking and packaging. Must we look forward to more of this?

As an organization, we are convinced that the spectacle of large corporations monopolizing the food production field is a very strong possibility—we are not just crying "wolf." Ralston-Purina is already engaged in swine production. Cattle feeding has moved into very large lot operations in recent years. It is quite conceivable that a few of the conglomerate giants could move into cattle feeding and hog production, and thus place control of our whole poultry and meat supply in the hands of a very few people.

We urge that you consider the implications of corporate farming in agriculture, in its broadest sense. We do not mean to lessen or detract from your well-justified interest in the problems of the migratory worker. Actually, it is quite possible that many who have considered themselves small, independent farmers in the past are about to join the ranks of the migrant farmworker, at least from an economic point of view.

This is well illustrated by reference to the article by Washington Post staff writer Nick Kotz on October 5, 1971. In commenting on the problems of the low-income farmer who may undertake to compete with the large agribusiness corporations through the use of co-operatives, Mr. Kotz tells of the specific problems of the Cooperative Compesina. A small group of these ex-migrant workers are undertaking to produce and market strawberries using money loaned through an OEO program and the Wells Fargo Bank in California. Despite the assistance and the oft-repeated statements of interest in cooperatives and the problems of small farmers, it would appear that the Department of Agriculture would offer little, if any, assistance. In fact, when these small producers do undertake to reestablish themselves at a subsistence level, they may find the Department personnel in direct opposition.

I call your attention to Mr. Kotz' report that the Farmers Home Administration turned down Cooperativa Campesina's request for a loan. When asked to comment on this loan and related problems, Deputy Administrator Homer Preston, of the USDA's Farmer Cooperative Service, is quoted by Mr. Kotz:

The low-income farmer problem is not personally my cup of tea. Our conventional co-ops are not exactly enthusiastic about them. They don't have much to offer except labor and it is less important today. These people are cotton choppers. They are tied in with idealism and civil rights, and a lot of romanticism. The purpose of cooperatives is not to keep mass numbers in farming but to help those who remain.

In any event these expressions of interest are enlightening and you may wish to look into the attitudes expressed by a responsible leader in the Department of Agriculture. Certainly there is an indication of Mr. Kotz' writings that the large staff and the power of the Department have been directed along lines quite different from the old Rochdale principle that supported the development of cooperatives and producer associations throughout the United States for many years. I assume that Mr. Kotz, a winner of two Pulitzer Prizes, has his facts right.

We have only one specific action to commend to you at this time. There was an earlier reference to proposed legislation that would require large business corporations to divest themselves of all interest in the ownership and operation of agricultural land and production facilities. It is my hope that this will be introduced before your deliberations are concluded. Even though a decision to support such legislation may not be appropriate in your committee, it may well have a significant bearing on any plans for legislation that you may develop in this committee. We will bring it to your attention informally as soon as possible.

We urge that every effort be made to learn more about the current position of the large corporations in farming and their plans for the future. If we may be of further service through consultation with members of the committee or with your staff, you are assured of our interest and cooperation.

Thank you.

Senator STEVENSON. Thank you, Mr. Frazier.

I will order printed in the record at this point the very fine series of articles by Mr. Nick Kotz that appeared on October 3, 4, and 5, 1971 in the Washington Post.

CONGLOMERATES RESHAPE FOOD SUPPLY

(By Nick Kotz)

The name "Tenneco" is not yet a household word to American consumers, but it weighs heavily on the minds of the nation's embattled farmers and of government officials who worry about the cost of food and the fate of rural America.

For Tenneco, Inc., the 34th largest U.S. corporation and fastest-growing conglomerate, has become a farmer.

Its new activities symbolize an agricultural revolution that may reshape beyond recognition the nation's food supply system. Dozens of the largest corporations, with such unfarm-like names as Standard Oil, Kaiser Aluminum and Southern Pacific have diversified into agriculture.

What concerns farmers, processors and wholesalers is that the new breed of conglomerate farmers does not just grow crops or raise cattle. The corporate executives think in terms of "food supply systems," in which they own or control production, processing and marketing of food.

"Tenneco's goal in agriculture is integration from seedling to supermarket," the conglomerate reported to its stockholders. Its resources to achieve that goal include 1970 sales of \$2.5 billion, profits of \$234 million and assets of \$4.3 billion in such fields as oil production, shipbuilding and manufacturing.

The conglomerate invasion of agriculture comes at a time when millions of farmers and farm workers have already been displaced, contributing to the problems of rural wastelands and congested cities. More than 100,000 farmers a year are quitting the land, and more than 1.5 million of those who remain are earning less than poverty-level farm incomes. Their plight is severe.

Although the U.S. census still counts 2.9 million farmers, 50,000 grow one-third of the country's food supply and 200,000 produce more than one-half of all food. The concentration of production is especially pronounced in such crops as fruit, vegetables and cotton.

In 1965, 3,460 cotton growers accounted for 34 per cent of sales, 2,500 fruit growers had 46 per cent of sales and 1,600 vegetable growers had 61 per cent of the market.

The medium to large-size "family farms"—annual sales of \$20,000 to \$500,000—survived earlier industrial and scientific revolutions in agriculture. They now face a financial revolution in which traditional functions of the food supply system are being reshuffled, combined and coordinated by corporate giants.

"Farming is moving with full speed toward becoming part of an integrated market-production system," says Eric Thor, an outspoken farm economist and director of the Agriculture Department's Farmer Cooperative Service. "This system, once it is developed, will be the same as industrialized systems in other U.S. industries."

Efforts to bar large corporations from farming have come too late, says Thor: "The battle for bigness in the food industry was fought and settled 35 years ago—chain stores versus 'Ma and Pa stores.'"

Corporate takeover of the poultry industry did result in lower consumer prices. But for numerous food products, corporate farming has not lowered prices, because the price of raw food materials is not a significant factor in determining final retail prices. For example, the cost of a food container is sometimes more than the farmer receives for the food packaged in it.

The new corporate farmers account for only 7 per cent of total food production, but they have made significant inroads in certain areas. Twenty large corporations now control poultry production. A dozen oil companies have invested in cattle feeding, helping shift the balance of production from small Midwestern feed lots to 100,000-head lots in the High Plains of Texas. Just three corporations—United Brands, Purex and Bud Antle, a company partly owned by Dow Chemical—dominate California lettuce production. The family farmer still rules supreme only in growing corn, wheat and other grains, and even here constantly larger acreage, machinery, credit and higher prices are needed for the family farmer to stay profitably in business.

Tenneco hopes that its new brand name, "Sun Giant," will one day become for fresh fruits and vegetables what "Del Monte" now means for canned foods. It hopes housewives will pay premium prices to buy its nationally advertised specially packaged fresh produce.

Tenneco, which started out as Tennessee Gas Transmission Co., says it made "giant strides" in 1970 toward its agriculture goals.

Resources rapidly accumulated by the giant conglomerate include: Kern County Land Co., which controls 1.8 million acres of land in California and other states; J. I. Case Co., a manufacturer of farm machinery; Packaging Corp. of America, which makes food containers; Tenneco Chemicals, a producer of pesticides, and Heggblade-Margoleas, the nation's largest processor-marketer of fresh fruits and vegetables.

Even the largest independent California farmers question how they can compete with a corporation which can, at least in theory, own or control virtually every phase of a food supply system. Tenneco can plant its own vast acreage. It can plow those fields with its own tractors, which can be fueled with its own oil. It can spray its crops with its own pesticides and utilize its own food additives. It then can process its food products in its own plants, package them in its own containers and distribute them to grocery stores through its own marketing system.

Financing the entire operation are the resources of a conglomerate with billions in assets, hundreds of millions in tax-free oil income and interests in banking and insurance companies. Tenneco, according to reports filed with the Securities and Exchange Commission, had 1969 gross income of \$464 million and

taxable income of \$88.7 million. Yet due to federal tax breaks, Tenneco not only paid no taxes on that income, but had a tax credit of \$13.3 million.

Tenneco officials—who don't want to be named—acknowledge they are building a vertically integrated food delivery system, but they deny any plans for coordinated use of the conglomerate's total resources. Each company must compete and earn a profit separately, they say. Nevertheless the Federal Trade Commission is actively scrutinizing the corporation's agricultural activities for possible antitrust violations.

Tenneco is reluctant to discuss details of its finances in agriculture, but available information indicates the scope of its present agricultural interests.

In 1970, Tenneco reported agricultural and land development sales of \$107 million and profits of \$22 million. It farmed 35,000 acres directly and 95,000 acres through 324 tenant farmers. It produced 2 million boxes of grapes, 1.5 million boxes of strawberries and large amounts of other fruits and vegetables. But that is only the beginning.

MARKETING FIRM

Hegblade-Margoleas, Tenneco's processing and marketing firm, sold its own products and those of about 2,000 other farmers. Hegblade-Margoleas is the nation's largest marketer of fresh fruits and vegetables and the world's largest marketer of table grapes. Its processing facilities include a new 8-acre plant and the world's largest date processing plant. Tenneco even has its own farm lobbyist in Washington.

Tenneco agricultural operations employ 1,100 full-time workers and 3,000 at the peak of harvest. Faced with a boycott of its other products, Tenneco last year signed a contract with Cesar Chavez's United Farm Workers Organizing Committee.

The 1970 contract signed with Tenneco and other grape growers raises basic wages to \$1.75 to \$1.80 an hour and provides a piecework bonus that can add another \$1 an hour during harvest season. Before Chavez's union began its grape strike, wages averaged between \$1 and \$1.25 an hour. The contract also established a medical care fund, an economic development fund and safety precautions to protect workers from pesticide poisoning.

Tenneco's future plans include development of its Sun Giant brand produce and putting into production 30,000 newly irrigated acres.

FARMERS OVERPOWERED

The type of food system being put together by Tenneco and other conglomerates frustrates and frightens independent farmers. They see every element of the food business acquiring market power but themselves. On one side, they confront the buying power of giant food chains. Now they must compete with conglomerates that can take profits either from production, processing, or marketing. The individual farmer usually does not have such options. The giant competitors also benefit from a variety of government subsidies on water, crops and income taxes.

Contrary to popular notion and most galling to the efficient, large, independent farmer, the corporate giants generally do not grow food cheaper than they do. Numerous USDA and university studies show that enormous acreage is not needed to farm efficiently.

For example, maximum cost-saving production efficiency is generally reached at about 1,500 acres for cotton, less than 1,000 acres for corn and wheat, and 110 acres for peaches. Thousands of independent family farmers possess such needed acreage, and farm it with the same machinery and techniques used by their new rivals.

In fact, studies show that the largest growers incur higher farm production costs as they employ more workers and layers of administrators.

A fullscale economic battle between the conglomerates and independent farmers is now unfolding in the nation's single most important farm area, the rich central valleys of California, which far outdistances Iowa as the first-ranked state in farm sales. California farms grow 40 per cent of the nation's vegetables, fruits and nuts. The state produces at least 90 per cent of the country's supply of 15 crops and leads the nation in 25 others.

"If the Tenneco operation is allowed to go unchecked, it can change the whole complexion of farming in the valley," says Fresno attorney Donald Thuesen. "They have the marketing power to make or break the market. They can sell below cost, as a loss leader, to get other business, and sustain losses that no farmer can afford."

Thuesen represents a large grape grower who claims Tenneco forced him into bankruptcy by selling the grower's grapes below the market price. A former Tenneco tenant farmer makes similar claims involving the marketing of his potatoes. Tenneco denies these charges.

"Tenneco sells their produce first and you get what's left over," contends John Glacone, who grows cantaloupes in the San Joaquin Valley.

In an effort to market his own cantaloupes, Glacone built a plant to box and market his produce. But now he finds supermarket chains will not buy his cantaloupes unless he uses a different kind of container. The chains have changed their container specifications deciding that another kind of box is more convenient for their retail operations.

Remodeling his shed for the newly required packing process would cost \$500,000, says Glacone, and that "will take the family jewels and then some."

At a time when they are confronted with overproduction in numerous crops, California's independent farmers are disturbed to see the conglomerates, with taxpayer's help, each bringing into production 5,000 to 100,000 newly irrigated acres.

A California state water project will irrigate 450,000 new acres for crops. A Ralph Nader task force calls the water project an unwarranted, \$1,000-an-acre "welfare scheme" for a few big landowners. Tenneco plans to grow fruits and vegetables on 30,000 of these acres. Other major beneficiaries include Southern Pacific, Standard Oil of California and Belridge Oil Co.

INEFFICIENT FARMING

"Belridge Oil Co. is spending \$185 million to develop 20,000 acres of fruit and vegetables," says Jack Bowen, a peach grower in Modesto. "They grew 640 acres of peaches last year just to see whether they wanted to grow them. If corporations like that get serious, we've had it. We can produce more efficiently than these corporations but we may not be around long enough to prove it."

Bowen is not a small peach grower. A sign outside his spacious 350-acre orchard proudly proclaims "A Family Business for Four Generations." His annual sales exceed \$300,000. He replaced the jobs of several hundred non-union migrant workers with a giant machine, which clutches peach trees by their trunks, then shakes off the peaches into a conveyor and onto trucks.

As a practical matter, Bowen and other California peach growers have become too efficient for their own good. Faced with ruinous prices last year, they destroyed 40 per cent of their harvest.

"We only have 53,000 acres of peaches in production," says Ugo Caviani, president of the California Peach Canning Association. "One big corporate grower like Tenneco could wipe us all out."

Caviani says the number of California cling peach growers has declined from 2,200 to 1,700 in only three years, while the number of canners has dropped from 40 to 14.

The nation's fruit and vegetable growers are not strangers of the tough competition of agribusiness. For many years, they have wrestled with the market power of chain stores and major food processors. They sell to canners such as Del Monte, Libby-McNeill & Libby, Green Giant Co., H. J. Heinz Co., and Minute Maid Corp. (a subsidiary of Coca Cola). Each of these canners also competes with the independent farmer by growing large amounts of its own food supply.

But the new conglomerate represents a different kind of competition. The older agribusiness corporations are primarily food companies and must make money somewhere in the food distribution system. Such is not necessarily the case with the new conglomerate farmers, for whom millions of dollars of agribusiness investment may represent only a fraction of their total holdings. Only 4 per cent of Tenneco's sales are from agriculture.

In fact, the conglomerates may find their food investments profitable even without earning anything from them. The profits may come from land speculation, federal crop subsidies, or generous federal tax laws. Tenneco received almost \$1 million in 1970 cotton and sugar farm subsidies.

The new conglomerates utilize a variety of federal tax provisions that permit them to benefit from tax-loss farming and then profit again by taking capital gains from land sales. Tenneco, for example is now developing six new California suburban communities on former farm land.

Tenneco officials insist they are farming to make money, to serve the consumer quality products and to help strengthen American agriculture.

LAND AS INVENTORY

However, Simon Askin, Tenneco's executive vice president for agriculture and land development, recently told the Los Angeles Times: "We consider land as an inventory, but we're all for growing things on it while we wait for price appreciation or development. Agriculture pays the taxes plus a little."

The federal government has been hesitant to bring antitrust actions against conglomerates that move into farming. So farmers and corporations are watching closely a key test case that is developing in California's Salinas Valley, the lettuce and celery capital of the country.

The Federal Trade Commission has charged both United Brands, the 81st largest U.S. corporation, and Purex Corp., the 316th largest, with seeking to monopolize production and supply of fresh vegetables.

The FTC is negotiating a settlement with Purex but the United Brands case is in federal court. The government charges that United Brands is transforming the lettuce and celery business from a competitive one of small, profitable, independent growers into a non-competitive industry dominated by large conglomerates. The FTC will seek to prove that United Brands cannot grow lettuce more cheaply and that it provides no price benefits to consumers.

In its reply to the FTC complaint, United Brands contends that the country needs large corporations in the farming business. United Brands, represented by President Nixon's former law firm, states:

"Although there may be some nostalgic desire to see a market composed of many small growers, that structure cannot survive against a market buyer (chain stores) that is composed of fewer and fewer companies with larger and larger market shares."

SMALL FARMERS

United Brands contends there is no economic justification for "a lettuce market composed of many small farmers who all are at the mercy of the buyers."

The FTC case illustrates dramatically the vastly different concepts by which industry and farmers measure bigness in agriculture. Most of the "small farmers" referred to by United Brands are, by present farm standards, among the largest independent farmers in the country. Their annual sales range from more than \$100,000 to several million dollars.

Although admitting the increasing concentration of corporate power in fruit and vegetable production and the corporate takeover of poultry farming, USDA officials generally contend that this phenomenon will not spread to other farm products.

Many Midwestern cattle, hog and grain farmers disagree.

The fear that the cattle and hog feeding businesses, their best source of income, may follow the pattern in which independent poultry growers were wiped out.

About 20 corporations including Allied Mills, Ralston Purina and Pillsbury Co., originally went into poultry production as a means of developing markets for their feed. Farmers were signed up to grow the corporations' poultry, using their feed.

According to USDA studies, the poor but once independent poultry farmers are still poor as contract workers, earning about 54 cents an hour. A Ralph Nader task force on agriculture called this corporate farm system "poultry peonage."

The corporations, however, contend that they have benefited small farmers with a steady, if small, source of income. And, they say, they have given consumers lower priced chicken and turkey.

The farmer sees everyone he must deal with in the food production system acquiring more power except him. The supermarket chains, the grocery manufacturers and the new conglomerate clout in the marketplace and political influence in Washington. Even migrant farm workers, still the lowest paid laborers in the country, have made some progress, signing contracts with the new conglomerate farmers, who are vulnerable to boycott of their brand products.

Only the individual farmer, with the exception of powerful cooperatives in a few crops, remains unorganized in the marketplace.

A battle to achieve market power now pits rival farm producer groups against each other, farmers against processors and farmers against migrant farm workers.

The battle has produced some strange new alliances and has strained old ones. It is now being fought with strikes and boycotts and in the halls of Congress.

AGRIBUSINESS THREATENS FAMILY FARM

(By Nick Kotz)

Joseph Weisshaar looks the part of Modern American Farmer, textbook version: educated at Iowa State, conservative in speech and manner, efficient in the latest technology, industrious as a businessman, proudly independent.

He is 39 years old and grossed more than \$100,000 last year selling hogs. He has presumably "made it." But in fact he is a troubled man, fearful that he and thousands of farmers like him in this country cannot survive the industrial and financial upheavals in American agriculture that have been brought about in recent years by the emergence of enormous "agribusiness" corporations.

So he has become a "militant" of sorts, a card-carrying member of the hell-raising National Farmers Organization which is using collective bargaining, law suits, strikes, boycotts, crop dumping and even occasional violence to win higher farm prices for its growing membership.

The NFO's ultimate goal is to protect the "family farmers" of the world from forces over which they have minimal control—giant food chains, food manufacturers and conglomerates that are attempting to bring to agriculture the industrial bigness, efficiency and control that characterizes much of the American economy.

The threat to the "family farm," and the way of life it represents, is so strong that even the American Farm Bureau Federation, the nation's largest and most conservative farm organization, shows symptoms of upheaval. In the past, the AFB has consistently and vigorously opposed federal intervention in the farm economy. But today it is swallowing its ideology and asking for federal laws to strengthen individual farmers in dealing with the new corporate forces in agriculture.

The stakes in this struggle between farmers like Weisshaar and the giant new farm corporations are immense:

Food is the nation's largest business with \$114 billion in annual retail sales. More than \$8 billion in annual farm exports keep the U.S. balance of trade from becoming an economic disaster. The question of who in agriculture is to share in this bounty and on what terms is at the root of the NFO's militance and the Farm Bureau's philosophical turnaround.

Will the family farm survive in the years ahead? Or will agriculture become—like steel, autos, and chemicals—an industry dominated by giant conglomerate corporations such as Tenneco, whose operations were described in an article yesterday? In that case, the nation will have lost its prized, Jeffersonian ideal, praise in myth and song, of the yeoman farmer as the backbone of America.

What will become of rural America if the greatest migration in history—40 million to the cities in 50 years—is further accelerated? Farmers have provided the economic base of the small towns and that base is becoming perilously small.

What will be the effect of a rural wasteland on the American political system? The power of the farm lobby and the small towns, already in sharp decline, has traditionally provided a counterbalancing force to the politics of the big cities.

How will the nation's food supply be affected? Production efficiency of the family farmer and general affluence have made food a relative bargain in the United States. * * *

FAMILY UNITS DOWN

On all these questions, the symptoms are not encouraging for the family farm system. A million farms are eliminated every 10 years and only 2.9 million remain.

The average farmer today is 58 years old—compared to a median age of 38 for all Americans in the work force. Young aspirants who would like to fill the retiring farmer's shoes can't get capital. And many who start farming soon quit, discouraged by low returns and mounting debts.

The contrast between the family farmer and the conglomerates is, on the surface, incredibly unequal. There is Tenneco with its \$4.3 billion in assets and its ability to employ its own land, tractors, pesticides, oil, processing plants, and marketing system. On the other side, there is Joe Weisshaar trying to hold on. Weisshaar has not quit, but he is perplexed about what it takes to earn a decent living farming.

GOAL REACHED

After 10 years applying the lessons taught him at agriculture college, Weisshaar last year reached his personal goal—the magic circle of 50,000 farmers who sold at least \$100,000 worth of farm products and produced one-third of the nation's food.

It was not a happy experience.

"I figured I would have it made when I reached the \$100,000 mark," (in sales) says Weisshaar, 39, who farms 540 acres near Creston, Iowa, "but I ended up \$1,300 further in debt. It seems like the bigger you get, the harder you fall. You depend heavily on credit and with one bad year of hog prices you are in deep trouble."

The Weissshaars have taken only one vacation in 10 years. The family bought only one costly item last year, a new refrigerator. Mary Jane Weisshaar, an attractive college graduate and mother of three young children, paid for it by driving a corn-hauling truck in a job that begins at 5 a.m.

"All that talk in the cities about free time and recreation?" questions Weisshaar. "I wonder whether we farmers aren't subsidizing that recreation."

With his credit already stretched to meet operating expenses, including payments on expensive farm machinery, Weisshaar must farm leased land, rather than buying his own.

"The doctor and lawyer uptown are buying up the farm land as a tax write-off and a hedge against inflation," he complains. "When they get done with it, there is only one other place it can go—to the farm corporations."

INVESTMENT IN YOUTH

"This country is going to wake up one day and discover that the price of food has doubled," says Weisshaar's banker, Charles Ehm, who worries that young men can't get a start in farming. "We decided to start out five young farmers a year—a good investment for the bank and for the community. It's not working and it just tears my heart."

"The worst part of it is that they are not 'pool hall boys.' They work night and day. They are efficient, good farmers. I could name at least a half dozen who will sell out this winter, and they shouldn't have to."

Ehm says the family farm will soon disappear unless farmers get higher prices, and the government provides special financial credit for beginning farmers.

Weisshaar worries that Midwestern farming will be taken over by "vertically integrated" corporate farms, similar to ones that now dominate California agriculture.

While the Tennecos haven't yet moved into Iowa on the grand scale they have spread through California's central valleys, you can almost hear their footsteps.

Feed manufacturers, processors and other corporations already have taken over poultry production, and are now applying similar tactics to move in on hog and cattle feeding—the midwestern farmer's best source of income.

Ralston Purina Co., a leader in the corporate takeover of poultry, has made a pitch to Weisshaar, offering to finance his hog operation, if Weisshaar will buy the corporation's feed and grow its hogs on contract. Remembering what happened to the once independent poultry grower, Weisshaar doesn't want that kind of partner. He doubts the advertisements of Kleen-Lean, Inc., the Ralston Purina subsidiary, which beckon him with "Swine Leasing Will Work for You."

THE PROFIT CHAIN

But Weisshaar is faced with a dilemma. If the processors and conglomerates gain control of hog and cattle feeding, then Midwestern family farmers will have to get all their income from growing corn, wheat, and soybeans. Farmers fear they cannot survive, if their only function is to provide grain for an integrated food system in which most profits are taken further up the food chain of animal feeding, processing, marketing and retail sales.

"It doesn't matter whether there are 500,000 of us left or 50,000," says the muscular but soft spoken Iowa farmer. "If we are powerless in the marketplace, we'll just keep on overproducing and killing each other off."

Out of this dilemma, the NFO arose and the Farm Bureau began rethinking its strategy. Farmers started turning up in unfamiliar places—with picket

signs at packing plant gates, and with highway barricades seeking to bar farm products from going to market at low prices.

The NFO plan for saving the family farmer includes legislation prohibiting farming by large conglomerate corporations, closing loopholes that promote tax-loss farming by non-farmers, and providing easier financial credit for young farmers.

But the NFO has little confidence in getting help from a Congress in which the farm vote has shrunk into political insignificance.

Its basic strategy is to organize farmers into bargaining blocks of sufficient power to raise prices for their beef, hogs, grain, and other commodities. When buyers refuse to bargain or market prices get too low, the NFO tries to withhold commodities from the marketplace.

Weisshaar believes that an NFO-bargained contract with the John Morrell Co. will mean high prices this year for his hogs and better income to support his family.

"The NFO is the only hope we've got," he says. "We've got to block together our production and demand prices that will give us a decent living."

The Farm Bureau has called for relatively mild legislation that would require processors "to bargain in good faith" with farm groups representing a significant number of farmers. A three-man board, appointed by the President and approved by the Senate, would approve the farmer bargaining agents.

The Farm Bureau legislation, introduced by Rep. B. F. Sisk (D-Cal.), represents, at least in part, a response to the competition of the NFO.

BUSINESS BALKS

Several years ago the Farm Bureau organized voluntary bargaining associations, but learned to its surprise that its old friends and philosophical allies in agribusiness were not cooperative. Agribusiness corporations such as Campbell Soup Co., Green Giant Co., Del Monte Corp., and Pillsbury Co., flatly refused to sit down at the bargaining table.

Many Farm Bureau members suddenly looked at their prestigious organization in a different light. The Farm Bureau had built a \$4-billion empire selling life insurance and supplies to farmers. But what, asked farmers, had the Farm Bureau done for them?

So John Kuhfuss, Illinois farmer and Farm Bureau President, went to a House Agriculture Subcommittee to complain. Agribusiness will not bargain with the Farm Bureau, he said, but insists on buying from individual farmers on "a take-it-or-leave-it basis—a one-sided process that is getting more one-sided as changes continue to occur in American agriculture."

Still another approach to increased farmer power is taken by advocates of giant cooperatives, which already are powerful in the dairy industry and in California citrus. The coops believe farmers must compete by creating their own vertically integrated systems of production, processing and marketing.

The giant dairy coops also seek to win higher prices under government-approved marketing orders by exercising political muscle in campaign financing. The dairy coops already have poured \$170,000 into a 1972 Republican campaign chest for President Nixon's re-election.

"Agriculture is acting a great deal like the buggy whip industry acted at the turn of the century," says Eric Thor, director of the Agriculture Department's Farmers Cooperative Service and an advocate of giant, integrated coops. Instead of trying to reduce costs and sell cheaper buggy whips, says Thor, that outmoded industry should have become a manufacturer of fan belts or air cleaners.

Similarly, Thor says "the family farm could disappear" unless farmers compete collectively as processors and marketers of food. He believes farmers are wasting time concentrating all their energy on production efficiency, at a time when food industry profits are controlled in food marketing.

COOPS BIG TOO

Some farmers complain, however, that the "super coops" have become just another kind of conglomerate giant from which they get few benefits. For example, Sunkist Growers, Inc., which dominates 80 per cent of California citrus, is a many-layered, pyramid-shaped corporation. Small growers are at the bottom. Contrary to general knowledge, the processors at the top of this "super coop" include major private corporation as well as farmer-owner processors. Critics

contend that decisions are made and profits are taken at the top of the pyramid, with too little consideration paid to the economic interests of the small grower.

Iowa farmer Weisshaar is not eager to have his interests buried in such coops. "If I wanted to go into something like that," he says, "I would have gone into meat packing or the grocery business. I like being a farmer."

The various plans of farm groups to save the family farm face an uncertain future.

Their legislative and organizational prospects are seriously weakened by traditional divisions in their own ranks. The NFO is suspicious of the Farm Bureau and is itself distrusted as too "radical" by other farmers. The National Farmers Union, which represents midwestern grain producers, has its own legislative goals.

Other farmers, including cattlemen, fear that mandatory bargaining—a Farm Bureau proposal—will merely stimulate further vertical integration by the conglomerates. Faced with the prospects of collective bargaining, giant meat packers, canners and sugar refiners may respond by growing even more of their own raw food materials.

It is difficult to design legislation to meet the differing problems of Iowa corn producers, California fruit growers.

Furthermore, the agriculture committees of Congress are confronted with new conflicts of interest. In the past, these committees had little trouble satisfying both big farmers and corporate food processors.

The big farmer and conglomerate both benefited from farm subsidy payments, a cheap labor supply, and foreign aid food programs.

But now the Senate and House Agriculture Committees are faced with difficult choices—resolving new conflicts between independent farmers and the corporations. Agribusiness, led by the National Canners Association, National Broiler Council, and the American Meat Institute strongly oppose bargaining legislation.

These committees give considerable weight—as do many economists—to the agribusiness argument that farm commodity prices are determined on a day-to-day basis in a highly competitive world market and that rigid bargaining legislation might well weaken the ability of American agriculture to compete in world trade.

They are concerned, too, about maintaining the vigorous competition that now exists among food processors who fight for position in retail stores and who seek to satisfy shifting consumer preferences that often are geared to price. Processors want to retain this pricing flexibility and fear the rigidities that could come from enforced bargaining.

MANY LOBBYISTS

In terms of effective political power, 200 Washington lobbyists representing the food industry are far more influential than farmer lobbyists. Food processors have plants scattered all over urban America and can appeal to urban as well as rural Congressmen. For example, the Grocery Manufacturers of America maps out its legislative campaigns with charts showing the location of food plants in each congressional district.

"Most members of the agriculture committees wish this farm bargaining issue would just go away," says one agribusiness lobbyist. "Whatever they do, the politicians figure they will make one friend and six enemies."

The Nixon administration also feels and reflects the conflicting pressures from farmers and food manufacturers. The administration has tentatively supported the Farm Bureau Bargaining bill. But a high administration source confides:

"The White House owes a political debt to the Farm Bureau, but we aren't very enthusiastic about this legislation. If you look at our proposed qualifying amendments, you'll see there really isn't much left."

The political disputes and maneuvering are still largely regarded by consumers, urban politicians, and the news media as intramural issues involving "the farm problem."

But the broadest issue involves the future shape of America and of its rural communities.

There is the strong, compelling desire in rural America to maintain the family farm and the small town.

Joe Weisshaar questions whether a way of life his family loves will be replaced by another industrialized system, administered by the forces of big labor and big industry.

And migrant farm workers, struggling to organize, question whether society does not have some obligation to help the lowest-paid worker who is being replaced by machines.

WHY BIGNESS?

Creston banker Charley Ehm asks: "Why is this country so obsessed with bigness? Why can't a young fellow farm 300 acres and make a living? We need to replace the economists and corporate planners with someone who has a concern for human beings."

Even assuming that industrial agriculture can be more efficient, Don Paarlberg, the Agriculture Department's chief economist, says: "People are asking, whether in as affluent a country as the United States, efficiency should be the sole criterion for the form of agriculture we are going to have. We now supply ourselves with food—the best diet ever, anywhere, with 17 per cent of our income. How much is it worth to drive that percentage down to 15 or 12 or 10?"

"Should we sacrifice a form of agricultural production that has served us well, that has produced good people as well as good crops and livestock?"

Paarlberg had no answer for the question.

U.S. POLICY HANDCUFFS SMALL FARMER

(By Nick Kotz)

Tereso Morales has struggled all his life at the bottom of the richest agricultural system in history. Since he was nine years old, he has stooped in fields from Oregon to Texas, harvesting wealth owned by big farmers, retail food chains, canners and now, by agribusiness conglomerates.

Morales, 35, is still breaking his back in the fields, but with new purpose. His mind is now fired with a dream at sharing in some of the riches of American agriculture. He has joined with 30 other migrant workers and small farmers to grow strawberries in Watsonville, Calif. He hopes to earn \$10,000 a year to raise his 11-member family in someplace other than a labor camp or a big city slum.

The 31 families of Cooperativa Compesina in many ways symbolize the problems and aspirations of 13 million poor rural Americans. They are among the 1.5 million small farmers and more than one million migrants who now work the land at far less than poverty-level incomes. They contribute to national statistics one-half of the nation's poverty and substandard housing.

The cooperative movement may give some of these people a way out of poverty. But the odds on their success are small.

They are competing—like the "family farmers" of the country—against powerful, efficient and aggressive "agribusiness" corporations that have moved into American agriculture on a large scale.

Morales and the other families of Cooperativa Compesina, for example, are competing in the California strawberry market with Tenneco, Inc., a \$4.3 billion conglomerate corporation, and with S. S. Pierce Co., which both grows and distributes its own brand of premium-priced foods.

They are competing, in a larger sense, with political forces that have shaped federal agricultural policies in ways that favor the largest and most efficient interests in agriculture.

For more than 35 years—to take the most obvious case in point—American industrial workers have been represented by powerful labor unions that have secured minimum wage legislation, unemployment compensation, child labor regulations, workmen's compensation for injuries on the job, collective bargaining right and so on. Farm workers, like Morales, generally enjoy none of these rights and benefits.

UNDERCUT BY GOVERNMENT

When the United Farm Workers Organizing Committee, led by Cesar Chavez, sought to achieve some of the same benefits, government responded by undercutting the movement with policies permitting employers to import cheap labor from Mexico and Puerto Rico. When Chavez and his union sought to gain bargaining rights with a retail boycott of grapes and lettuce, the Defense Department increased its purchases of grapes and lettuce.

At the same time, the government has continued its subsidies to large farm operations through the provision of low-cost irrigation water, the development of labor-displacing machinery and generous tax laws.

The U.S. Department of Agriculture, through various policies and actions, has discouraged the development of cooperatives for low-income farmers on grounds that the industrialization of agriculture and the elimination of stoop labor is in the interests of both country * * *.

"Government," says James Hightower of the Agribusiness Accountability Project, a foundation-financed operation, "has provided socialism for agribusiness and free enterprise for the small farmer and farm worker."

The problems created in "rural America" by these policies have prompted politicians and presidents to come up with new programs and new rhetoric to "save" the small towns and the small farms of the country. There have been, in recent years, "wars on poverty," "rural development" schemes and concept of "balanced national growth". But thus far, the powerful and impersonal forces of corporate agriculture have been the dominant factors in the changes sweeping the farm economy.

TREND REVERSERS ABSENT

The measures that might reverse the trend—strong farm worker labor unions, generous subsidies to small cooperatives, the redistribution of land from corporate farmers, to individual farm entrepreneurs—have not been undertaken.

What is happening in American agriculture—bigness concentration, and the efficiency these things produce—maybe good or bad for the country in the long run. But the implications of these tendencies transcend the question of whether Tenneco, Inc., or Tereso Morales will harvest strawberries in California. These implications include the following:

The future shape of the American landscape. Already in this country 74 per cent of the population lives on only 1 per cent of the land. If present trends continue, only 12 per cent of the American people will live in communities of less than 100,000 by the 21st century—60 per cent will be living in four huge megalopoli and 28 per cent will be in other large cities.

Rural life, already seriously undermined by the urban migration, will be further eroded. Today, 800,000 people a year are migrating from the country side to the cities. Between 1960 and 1970 more than half of our rural counties suffered population declines. One result is the aggravation of urban pathology—congestion, pollution, welfare problems, crime and the whole catalogue of central city ills.

The domination of what is left of rural America by agribusiness corporations is not only accelerating the migration patterns of recent decades but raises the spectre of a kind of 20th century agricultural feudalism in the culture that remains.

In response to this vision of the future, the federal government in the 1960s undertook limited measures to stimulate the survival of the small farm and the small towns of America. The antipoverty programs administered by the Office of Economic Opportunity touched the problem in certain ways.

A START THROUGH OEO

Tereso Morales, for example, learned to read and write in an adult education course sponsored by OEO for migrant workers. He learned too, that he and other farm laborers might earn a living growing high-value fruits and vegetables. So he persuaded three of his OEO classmates to join him in putting up \$500 apiece to launch Cooperativa Compesina, with Morales as president.

Working from sunup to dark in the coop's 140-acre leased fields, Morales has little time or patience to talk with visitors about abstractions. He is laying several miles of irrigation pipe, and supervising the leveling of irrigation ditches. It is an exacting job. If the irrigation troughs vary by more than one inch in 100 feet water may slop over and mildew the previous strawberries.

The dream or heartbreak at the end of this labor will come next year. If all goes well, each acre of strawberries should produce gross sales of about \$9,000. Then the cooperative will find out whether corporate competitors attempt to frustrate its marketing plans.

"In a good year I could earn \$5,000 as a migrant," relates Morales, "but that meant traveling for 12 solid months. It's very hard on the family. How are you going to do that and raise nine kids, send them to school, give them a chance? You can't keep running forever. I'm not moving anymore."

KEYED TO FAMILY

The coordination of cooperative farming is no easy matter, and has produced some failures. Cooperativa Compesina divides up land and profits on the basis of family size and family contributions to work. Its members so far are sticking together.

"We want to benefit our community and do all we can to exist," says Morales. "Our members are not afraid to work. With what we have to go back to, this looks pretty good."

The coop got its crop started with a \$100,000 loan from an OEO-funded consulting firm, and a \$150,000 loan from the Wells Fargo bank. When local growers tried to block the loan a local Wells Fargo official reportedly told them: "You'll take your money out of the bank, but they'll burn the bank down. What am I supposed to do?"

Despite the indirect assistance from OEO, the federal government—and particularly the Agriculture Department—has done little to assist Morales' coop and similar ones that are being started by blacks in the South and whites in Appalachia.

TURNED DOWN BY FHA

The Farmers Home Administration turned down Cooperativa Compesina's request for a loan.

"The low-income farmer problem is not personally my cup of tea," says Homer Preston, deputy administrator of USDA's Farmer Cooperative Service. "Our conventional coops are not exactly enthusiastic about them. They don't have much to offer except labor and it is less important today. These people were cotton choppers.

"They're tied in with idealism and civil rights, and a lot of romanticism. The purpose of cooperatives is not to keep mass numbers in farming but to help those who remain. You can't go against market trends when everything else points to bigness."

Although the conventional co-ops were started by struggling farmers of yesterday, they today essentially represent big business and seek farmer members who can invest in processing and marketing.

In the course of assisting "bigness," Preston says the FCS is helping merger negotiation between the country's two largest dairy "super co-ops," which between them control about 40 percent of the fluid milk supply.

When he came to Washington seeking management training assistance for 100 low-income southern co-ops, says Father A. J. McKnight, FCS advised him to seek help from a private foundation.

"The USDA programs have favored the big commercial farmers and have deliberately tried to eliminate the small family farm," said McKnight, referring to research sponsored by the Agriculture Department and land grant colleges.

At a time when poor Southerners are starting to earn a living growing labor-intensive specialty crops like okra, tomatoes, sweet potatoes, and cucumbers, McKnight said, USDA is developing strains of the same vegetables which can be harvested mechanically.

TOUGHER STRAWBERRY

Similarly, government-backed research at the University of California is developing a tougher variety of strawberry—with a primary emphasis not on flavor or nutrition, but on its ability to be shipped and picked by machine.

"When I asked about the effects of that strawberry picked on migrant workers," says Alfred Navarro, a consultant to Cooperativa Compesina, "the Extension Service guy said: 'All I worry about is the economic part of it. Let the sociologists worry about that.'"

"Mechanization is a fact of life," says Navarro, "but the field worker can't get the machine. Who deals with the social effect of these machines? The Agriculture Department has got to be responsive to more than one sector of the rural economy."

The clash of farm worker and grower has been highlighted in recent years by the rise of Cesar Chavez's United Farm Workers Organizing Committee.

UFOC's major successes to date have been in winning contracts from the new conglomerate farmers, who have entered California fruit and vegetable farming. Primarily because they fear boycotts of their nationally branded products, the conglomerates say, they have signed contracts while most large independent growers have not.

In the Salinas Valley, for example, four of five contracts won by the union are with national firms: Purex Corp., United Brands, S. S. Pierce Co., and Heublin, Inc.

UNION STILL RESISTED

Meanwhile, the largest independent growers are still bitterly resisting the union, and seek state or national legislation that would restrict its activities. The growers want a law that would prohibit strikes during harvest season and the secondary boycotts by which Chavez has appealed to sympathetic consumers.

The outcome of these battles over agricultural wealth could be an industrialized system of conglomerate farmers and of unionized labor. However, Chavez so far has organized only a small percentage of California migrants, and even these victories are fragile ones, subject to negotiation in a year or so.

Chavez' ultimate goal is to win economic independence for migrants by creating cooperatives such as Cooperativa Compesina.

They could be helped by a new system of crop subsidies, which base government assistance on economic need rather than on acreage.

Present subsidies, theoretically aimed at controlling overproduction, go mainly to the wealthiest farmers who own the most land. But John Schnittker, Under Secretary of Agriculture in the Johnson administration, argues that subsidy payments for wheat and cotton are far larger than those needed to control surpluses. A substantial part of these subsidies, says Schnittker, simply provide income supplements to the wealthiest farmers.

Some reformers argue that the small farmer can still be given a place in America if the government brings about "land reform," including enforcement of the 1902 Reclamation Law.

This law originally was designed to protect the small farmer. It provided that government-irrigated land could not be owned by absentee landlords, and that no individual could own more than 160 acres of government-irrigated land.

The law has never been enforced. In California alone, corporate landholders continue to occupy and benefit from more than one million acres subject to the 160-acre limitation.

Rep. Jerome Waldie (D.-Calif.) and others have proposed legislation by which the government would buy this illegally-held land, and then resell it on generous credit terms to small farmers and low-income cooperatives.

Unless present trends are reversed, the ultimate cost of the new conglomerate revolution in agriculture will be paid by the small towns of the Midwest and of California.

CALLED DISASTROUS

Jack Molsbergen, a real estate man in Mendota, Calif., describes as "disastrous" the effects of conglomerate farming on his town in the western San Joaquin Valley.

Conglomerate farmers such as Anderson Clayton and Co., the country's 185th largest corporation with 1970 sales of \$639 million, contribute little to the local economy, says Molsbergen. The conglomerates buy their farm machinery and supplies directly from the factory and their oil directly from the refinery, he says.

When Mendota tried to build a hospital several years ago, says Molsbergen, Anderson Clayton and two other large corporate landowners blocked the project, because it would increase their property taxes.

LIVES ELSEWHERE

"The guy who made the decision for Anderson Clayton lives in Phoenix," explains Molsbergen, "and if you live in Phoenix, you don't need a hospital in Mendota. These corporate guys don't go around with a Simon Legree mustache. They are nice men. It's just the way things are."

Agriculture Department economists do not see any future for the Mendota, Californias, of the country.

"These towns represent the unfulfilled dreams of the people who went there," says USDA economist Warren Bailey. "They are going the same way as the neighborhood grocery. People want to shop where they have a choice. With air-conditioned cars and good roads, they choose to do their shopping in the cities. Iowa really doesn't have room for more than 12 regional centers. The small town will remain only as a pleasant place to live."

As matters now stand, the small towns will die and the small farmer and farm worker will be replaced without any of the attention and national debate that has focussed on other economic disruptions.

LOCKHEED CONTRACT

There is a marked contrast between national concern shown over the economic problems of a Lockheed and over the problems of 150,000 small North Carolina tobacco farmers, who soon will be displaced by a new tobacco harvester.

Woodrow L. Ginsburg, research director of the Center for Community Change, contrasts that concern:

"When tens of thousands of scientists and skilled technicians were threatened with loss of jobs in the aerospace industry, a host of industrialists, bankers, and others besieged Congress for large-scale loans and special legislation.

"But when even larger numbers of workers are threatened with loss of jobs in the tobacco industry, scarcely a voice is raised. What corporate executive speaks for such workers, what banker pleads for financial aid for them, what congressman or state official calls upon his colleagues to enact special legislation?"

Ginsburg believes no voice is heard because America lacks "a national rural policy that considers the needs and aspirations of the majority of rural Americans—farm workers, small farmers, small independent businessmen and the aged."

"The farmhouse lights are going out all over America," says Oren Lee Staley, president of the National Farmers Organization. "And every time a light goes out, this country is losing something. It is losing the precious skills of a family farm system that has given this country unbounded wealth. And it is losing free men."

Senator STEVENSON. You did not in your statement address yourself to the applicability of the antitrust laws to corporate farming and vertical integration in the food business. I think it might be helpful to the subcommittee if you or your staff could give us the benefit of any opinions you may have on the applicability of the antitrust laws either on the enforcement end, or on suggested changes in those laws that might make them appropriate to cope with the problems that you are concerned with.

Mr. FRAZIER. Very well, sir. I am not a lawyer. I can comment only briefly for the moment and then I will be happy to work with your staff as you suggest in the future. Briefly stated, it is my impression that section 7 of the Clayton Act prohibits the acquisition of stock or assets of one corporation by another when such an action would tend to lessen competition.

In the Sherman Act, in section 2, I believe the thrust of the legislation is to prohibit monopolization or attempts to monopolize. For one thing interstate commerce must be present of course and then it appears that some proof of monopoly or attempt to monopolize must be a matter of fact or a matter immediately at hand before action may be taken.

So, our concern could be summarized in this way right now. We are not certain but some of the corporate actions in recent years could well be examined from a legal standpoint but knowing that this basic legislation was directed primarily to other corporate endeavors outside the field of farming, it is at least our attitude at the moment that it would be well to consider an amendment to this legislation that would deal specifically with this question of corporate farming. This is what we hope to bring before you.

Senator STEVENSON. I think it would be helpful. I am not asking you to do this now but if your lawyers could give us any ideas about how the antitrust laws should be changed we would like to have it.

Why did Ralston-Purina drop out of the egg and poultry production business? Was it because of tough competition and, if so, was it from corporate producers of eggs or was it competition from the little fellows, the small farmers?

Mr. FRAZIER. I can only speculate, sir. My information is based upon this very intelligent and detailed accounting of interviews with the top executives of Ralston-Purina by the editor of *Broiler Industry*. The sense of the discussion there would indicate that they had lost money on broilers, or at least that it did not measure up at all with the corporate gains in their other fields.

Eggs, I gather from the statement, are still a profitable operation for them. Nevertheless they are making the decision to sell the egg-producing facilities.

Senator STEVENSON. I thought you said they dropped out of the egg production.

Mr. FRAZIER. Yes sir—according to the story they also will offer their egg production facilities for sale.

Senator STEVENSON. What would you say the principal problem of the small farmer is, or the difficulties faced by a fellow who wants to acquire a small farm? Is it the price of land now and, if so, is it partly a problem of obtaining credit with which to buy the amount of land, and the equipment that he needs to farm successfully?

Mr. FRAZIER. I think it is a combination of these few very heavy factors. I come from north Missouri. My parents are 80 years of age—they are still on the farm and still active in farming. I have an interest in the farming operation. In my home community, of the eight or 10 farming operations I have known well for nearly 40 years, every one of them is operated by a man between 60 and 80 years of age. Young men today must either "marry it or inherit it," as they say out in the country. They simply cannot proceed in the old-fashioned way of borrowing money to start farming.

Land is capitalized at a higher level, the tax burden has increased by 32 percent in the last 5 years, the cost of machinery, chemicals, the cash outlay for operation now is something that must be met annually. The old-fashioned concept of family labor and assistance by one another in the family in running the farm is a thing of the past—of course it still exists in some few family farm operations but it is becoming more of a rarity. It is hard for the young fellow to use it to get started.

We were pleased, for example, with your recent actions, to modernize the farm credit authority and authorize some of the plans that they have in mind. I know this will help some in making more credit available to the young farmers.

Just recently we noticed a story of one of our outstanding farmers in southern Iowa. He publicly stated that at the age of 45 he thought he had reached the level of production and success in this world that he had looked forward to as a young fellow. He is a graduate of Iowa State College, a very capable farmer, typical of a good family farm operation. He sold a hundred thousand dollars worth of products last year from his farming setup. At the end of the year he was \$1,300 behind where he stood at the first of the year in his books.

In other words, the pressure of the cost of operation today is simply not matched by the price structure on our major commodities.

We have 90-cent corn in the corn belt as you know and many other commodities are priced accordingly. The farmers are not going to be able to make it in these family farming size units in this current economic battle. If it continues on into the future, something will have to give.

I might be able to comment for a moment and be helpful on the question that you raised with Professor Gates a moment ago about the availability of data. I have undertaken recently to see what we could gather that would adequately portray the position of corporate farming in this country today. In the reports of the agricultural census people—and they are very cooperative, fine people to work with—you find that their data are broken down largely by categories dealing with those corporate setups of 10 share holders or less and those corporate outfits with a larger number of share holders. Now this is understandable that they can publish only limited data I presume.

When I go to the IRS I find that publications of corporate farm data are lumped in with a category commonly called agriculture, fisheries, and forestry. A few years ago in the Department of Agriculture we felt the need for data along the lines we are talking about. We went out to the ASCS County offices, undertaking to utilize the know how and the acquaintance of those county committees and their staffs with farming in each community; we were able to gather some rough data that has since been analyzed by the economic research service (USDA) and published. This would be available to you.

But in all these cases it has not been possible, at least up until this time, to get data that separates the family farm corporation that has been formed as a matter of protection tax-wise and in passing land on from one generation to another, from the data pertaining to the large corporate structures whose income is primarily from some other source but who are incidentally in farming.

I think it is in this field of data in which you are interested; the other witnesses have spoken of it. If there is one thing that I believe you could well deal with it would be to open this up and in some way get better data for all of us to work with.

Senator STEVENSON. Mr. Frazier, I have heard some complaints about activities of the Commodity Credit Corporation, the complaint in general being that at times its sales of surplus commodities tend to benefit the large purchasers of Federal grains at the expense of the small purchasers. The small farmer might not have quite the same opportunity to buy corn, for example, than large corporations might have.

Can you comment on that? Is there any validity to those complaints?

Mr. FRAZIER. Yes, sir. From my previous experience I believe I can do so without being particularly critical. There are two types of sales that are made by the ASCS in the management of CCC stocks. One type of sale that is most nearly beneficial to farm operators and livestock feeders at the local level is the sale that is made from Government-owned bin sites locally. In this case, the farmer does have an opportunity to bid on the grain—he can obtain this grain. The sales are restricted to those areas in which they have some corn stored. The Department in recent years has released not only some of that grain but they have also sold a number of those structures and reduced the size

of the bin site operation. So this opportunity for local feeders to buy in the future will be restricted somewhat.

The other type of sale completely bypasses the local market and the opportunity of the feeder. It is a large volume sale, generally made by the managers of CCC stocks. The grain is already stored in the terminal warehouse type of facilities and in that case the sales are always made to the very large grain companies. There is no opportunity for feeders to bid for that type of stocks.

Senator STEVENSON. Senator Hughes had to leave us. He has asked me to ask you a question for him. He is interested in the difference in attitudes and positions between the American Farm Bureau and NFU and NFO on certain questions.

He said the American Farm Bureau states that "there is no clear evidence that large corporations controlled by nonfarm interests are taking over agriculture." Can you explain the apparently differing attitudes between the farm organizations on that question?

Mr. FRAZIER. Mr. Chairman, it is only fair to acknowledge that I cannot explain their attitude. I would comment for a moment on the attitude of President Staley and all the leadership in the National Farm Organization.

We are very deeply concerned with the inroads of the corporate structures in agriculture. We have become, if you please, rather accustomed to the fact that they are in almost a monopoly position on citrus and many types of truck crops or vegetable crop production.

It is fair to say that our major concern now is the possibility of their movement into the livestock field and the production of major grain crops that are, after all, the real basis of our major food supply in this country.

And the last stronghold, incidentally, of the family size farming unit that we all know so well and are so proud of. So, we are quite concerned. We believe that the speed with which the well-financed large corporate structure may move in the economy today poses a threat that should well be examined in the Congress.

Senator STEVENSON. You are not just concerned about the direction in which they may move. You are concerned about the direction in which they have moved, aren't you?

Mr. FRAZIER. Yes, sir. They are heavily involved today in truck and vegetable crops, fruit crops, broilers, egg production, turkey production—a substantial proportion of our food supply today.

Senator STEVENSON. Can you give us some comments about contract farming, how this affects the little farmer as a form of corporate farming?

Mr. FRAZIER. Yes, sir, I will be glad to comment on it. I think perhaps there are some types of contracting that are quite respectable and acceptable when those contracts are made by the processors or companies with producers who are either large enough individually or organized in some bargaining group so that there is truly a contract between two parties having equal opportunity of agreement or disagreement.

This contrasts rather sharply with the unfair type of contracting that you have when one of these major feed manufacturers may go out to relatively small people, encourage them to incur capital obligations to build broiler houses or similar facilities. They are first tied up

with a contract encouraging them to make certain capital commitments, after which they have a debt to carry, and they have no hope of being able to bargain for any change in prices. They are in effect, forced to revert to a type of serfdom or something of that sort, if you please, that we supposedly left in Europe when we migrated to this country in earlier generations.

I think this is best illustrated by the many broiler houses that exist today over here in the Delmarva Peninsula. Many of those families who first built them and undertook to operate under contracts for the production of broilers are no longer there.

Those broiler houses stand there as monuments to the failure of the whole business. That is only one example of course, but it is one that comes easily to mind.

Senator STEVENSON. Finally, Mr. Frazier, we have asked our other witnesses to comment on the activities of land-grant colleges and whom those activities benefited in agriculture. What is your organization's opinion about the land-grant college system?

Mr. FRAZIER. Yes, sir. I will be happy to. I graduated from one about 35 years ago in the State of Missouri and have had an opportunity to be in touch with them throughout the course of my career. It seems to me, Mr. Chairman, that your question points rather clearly to a balance of the resources and the use of the talents that are gathered around the land-grant colleges and this is what I have in mind.

Some of us have long been concerned with the very heavy consideration given to the production side of agriculture. I presume it is only natural but the financial resources, the talents, the know-how, the capabilities of our research people throughout the agricultural field for a number of years have been highly commendable in that they have been able to develop new varieties, new methods, new chemicals, new machinery.

They have worked closely with the manufacturers and other industry people and of course this is what makes it possible for our farmers to produce at the rate of efficiency that they can accomplish today. It is through this increased efficiency that they have been able to survive at all at the current prices of our farm products.

But in contrast with this fine effort on the production side we are greatly concerned in our organization that we have not had a similar gain or a similar devotion to duty, if you please, in the matter of marketing farm products.

True, we have some research, some interest in cooperatives, some interest in the methods of how people go about measuring the size of grapefruit and counting how many it will take to fill a box and ship it most easily from Florida to a chainstore in New York City.

But there is a great dearth of real talent and effort to assist the American farmer in collective bargaining and similar activity that would enable him to get a decent price for his product once he has produced it.

This is the void in our opinion and this has occurred over a period of time. In my own personal opinion it is this shortcoming that may have contributed substantially to the imbalance we have today between our production capability and our ability to sell commodities or consume them at good prices.

Senator STEVENSON. Thank you, Mr. Frazier, for appearing this morning and contributing to our hearings.

Mr. FRAZIER. Thank you, sir.

Senator STEVENSON. Our next witness was to be Mr. Raymond Watson, representing the National Farmers Union. I understand he is getting his corn in today.

STATEMENT OF DR. WELDON BARTON, ASSISTANT DIRECTOR OF LEGISLATIVE SERVICE, NATIONAL FARMERS UNION, WASHINGTON, D.C.

Mr. BARTON. That is right, Mr. Chairman. He unfortunately was not able to make it. He expresses his sincere regrets to you for that. He called us yesterday; he said he was in the middle of his corn harvest and he could not pull himself away to come up today.

Senator STEVENSON. I am very glad you could appear, Dr. Barton, as the legislative representative of the National Farmers Union.

Mr. BARTON. I am Weldon Barton, assistant director of legislative service of the National Farmers Union. Mr. Chairman, I have a six- or seven-page statement. We also focus on the problem of the corporate invasion of agriculture. I cover some of the same ground that Senator Nelson covered.

I would like to ask if you would publish my full statement in the record, so that I might summarize and hit some of the high points at this time.

Senator STEVENSON. That is fine. We will enter your full statement in the record.

Mr. BARTON. Thank you very much, Mr. Chairman.

If you look at the situation in terms of the antitrust law, the two basic ways that you have corporate concentration are through horizontal integration and through vertical integration.

The vertically integrated operation is, we think, the most serious threat now facing family agriculture in America. The reason is that it destroys the market system and, as also has been covered this morning on a number of occasions, it is the vertically integrated operation that has made most of the inroad into agriculture at this point.

The most conspicuous example of vertical integration is in poultry. A few years ago, broiler feeding in this Nation was in the hands of independent family farmers. These family farmers were efficient, but as a result of the integration of the industry—that is, the combined ownership of factories, feed mills, processing plants, and in some cases retail outlets—there are no more independent broiler feeders. It is entirely, at this point, a corporate operation.

About 20 large corporations, including of course Ralston Purina, which has been discussed already, now control poultry production. The small farmers in this operation, in poultry and broilers, are used essentially as contract laborers by the corporations.

Mr. Chairman, we have additional information on pages 3 and 4 of our statement. We talk about the inroads that corporations have made in the cattle feed lot operations. In the South, textile mills are moving toward control of cotton farms. Corporations control citrus farming. They are moving into the hog business.

This is an alarming development. It must be halted or it will destroy the family farm pattern of agriculture in this country.

Mr. Chairman, this identification with family agriculture does not arise from some kind of nostalgic appeal of the family farm as a way of life. We do not think that family farming should be retained simply because it has been with us since the beginning of the Nation and it has been looked upon as a way of life.

We are convinced instead that the family farm pattern is a real, viable alternative to corporate agriculture. You have such people as Ralph Nader and John Kenneth Galbraith and others who have been critical of corporations in America and their operations. But at the same time, these people have said that, given our emphasis on efficiency and progress in industry in the United States, we would probably have had to invent the corporate pattern if it had not evolved.

It is said, for example, that corporate organization is necessary in order to accumulate capital and labor and in order to operate efficiently and progressively. But Galbraith and others have acknowledged that agriculture is different.

I think it is an accident of history to a large extent that we have looked upon agriculture as a way of life and have held off the corporate invasion to some extent. We can still to some degree today consider the issue and look upon whether we ought not, in this sector at least, stop the corporate invasion and consider some other kind of viable economic operation.

In agriculture, the family farm unit has proven that it can operate with maximum efficiency. Family farmers can secure capital through their own farm credit system and other sources. Farmers union is vitally interested in strengthening the farm credit system, through which independent farmers can get the capital they need to compete with corporations.

They can accumulate labor through the family unit and with auxiliary personnel during harvest and other peak periods of need.

Family farming, in short, is the foundation of a progressive, dynamic agricultural sector.

Now I am going over to page 6 of my statement where we discuss three areas in which maintenance of family agriculture and keeping corporate agriculture in check serves the national interest as well as the interest of small farmers and farm labor.

First, in terms of rural development:

This has been talked about this morning. Senator Nelson emphasized it. We would emphasize that if we are really going to accomplish rural development in this country, and we hear a lot about rural development today, we have to place family agriculture at the center of it. That is, family farm agriculture is the No. 1 business in rural America.

It is also, as a number of others have indicated, the No. 1 generator of activity in our small towns, in our medium-size communities in rural areas.

Senator STEVENSON. I understand that on the average every time six family farms go out of business, one community business closes its doors.

Mr. BARTON. Exactly, Mr. Chairman. This is something that we think the leaders, the Chambers of Commerce and so on in the small towns, ought to be looking at. They ought to be looking at the idea of

helping agriculture that is helping them to stay in business. This is certainly something that ought to be given more attention.

Secondly, we mention here that family agriculture is more consistent with environmental protection.

Family farm agriculture is much more oriented to natural resource conservation than is corporate agriculture and its absentee owners and managers that Professor Gates referred to in his testimony earlier this morning.

Third, for consumer protection, family agriculture, by maintaining competition among a large number of producers, automatically tends to hold down prices to consumers, provided of course that concentration in the food-processing industry does not jack up prices before the produce reaches the consumer.

Family agriculture is clearly better for consumers than giant corporate agriculture and the administered prices that the corporate pattern brings to every sector of the economy which it dominates.

As far as what we do about the corporate invasion, much can be done. Some things are being done, we are proud to see, on the State level where the corporations are chartered. But we think that much more can be done on the national level.

For the remainder of my time, I want to briefly touch upon two areas in which we should have increased emphasis in strengthening family agriculture and curbing the corporate invasion: First, stronger antitrust statutes and more stringent enforcement of antitrust law; and secondly, more adequate Federal commodity programs for family farmers who must compete with corporate enterprises.

On antitrust laws we need vigilant administration of antitrust policy against both horizontal and vertical combinations in agriculture. We think we need it now.

It is clear from experience with other sectors of the economy that antitrust action if it is to be effective cannot be postponed until a small number of firms control an entire sector. Action against economic concentration at that stage is virtually impossible because of technical complications and due to the political muscle that such firms are able to muster to frustrate antitrust enforcement.

I think this relates to the quotation that you had of the Farm Bureau. If we think that corporate agriculture has moved far enough we ought to take action now or we are not going to be able to take action at all. If we don't act now, if we don't have enforcement now, if we wait for an even clearer trend or until corporations dominate 85 percent of production in particular crops and so on, our experience is that we are not going to be able to do anything.

If we are going to move against the corporate invasion, it must be at a relatively early stage. I don't suggest that it is that early; there have been tremendous inroads at this point.

Senator STEVENSON. The corporate penetration of agriculture is not uniform, by any means, is it? Has it been much more pervasive in the case of fruits and vegetables, and sugar, than in other commodities?

Mr. BARTON. Yes, that is the case, Mr. Chairman. It has moved into broilers, into citrus, into some of these areas. But it moves extremely rapidly once the corporations begin to get into a particular sector and make a go of it. For example, it is moving very rapidly now in cattle

feedlots where you are getting more and more corporations in the Midwest and particularly in the Texas Panhandle area.

In hog production, with the tremendous cycles that we have had between a period of somewhat reasonable prices followed by tremendously low prices, family farmers are being pressed to the wall. It is an area, again, that is ripe for corporations to go in there and start making the contracts on an individual basis with small farmers.

The problem is that when this begins it is difficult to stop it, and within a period of a very few years the corporations can control the entire sector.

Senator STEVENSON. Do you have any observations on the environmental consequences of feedlots?

Mr. BARTON. I think the environmental consequences of feedlots have been pretty well documented. As you get the very large feedlots spanning literally tens or even hundreds of acres, you have no way of spreading out the waste materials of the livestock. So you are bound to have odors and runoff from those feedlots that will tremendously contribute to pollution.

Now the answer to this, we say, is to keep smaller operations and keep the cattle spread out across the land much more, so that you can have natural decomposition of waste material. Indeed, this is protective and supportive of good land in that it builds the land naturally.

Senator STEVENSON. They say the feedlots in the country produce more pollution than all of the municipal treatment facilities combined in the Nation. I don't know if that is true.

Mr. BARTON. I am not prepared to cite a specific statistic, but I would not be at all surprised at that. I would say that it is getting worse rather than getting better as you get larger feedlots.

Senator STEVENSON. I am sorry to interrupt your statement.

Mr. BARTON. That is certainly all right, Mr. Chairman. I am proceeding now to the last page of the statement.

The prosecution of some key cases of economic concentration in agricultural production at this time would serve notice to other business conglomerates that they cannot concentrate production in farming without fear of governmental response. We could, in short, head off the trend toward corporate-dominated agriculture before it is too late.

One more point on antitrust enforcement: In agriculture, at least, Farmers Union is convinced that action should be taken against bigness per se, rather than wait for explicit action on the part of corporations in restraint of trade.

It has been demonstrated conclusively that family agriculture is as efficient or more efficient than corporate production units. In light of the other detrimental effects on the environment, on rural development, or imbalance of population growth and so on, from corporate agriculture, action should be taken against corporate agriculture per se.

I think this may require some amendment to antitrust law, because as the courts have interpreted antitrust laws in this country, you have to show intent to monopolize. You can't really move against bigness until you can show explicit restraint of trade.

We think that we are lucky in a sense that the dedication to farming as a way of life has held back the corporate invasion to an extent that now we can take a look at bigness per se in the agricultural sector, and to some degree there is still an opportunity to move in this area.

If it takes amendments to the antitrust law, and it may well take such amendments, and specifically related to agriculture, then we ought to have that amendment.

Senator STEVENSON. I have asked Mr. Frazier to look into that subject further and give us some specific suggestions about changes in the law, and enforcement of existing law, and would do the same in your case.

Mr. BARTON. I will be happy to look into the matter with respect to specific amendments, and to work with you and your staff on possible legislation that Farmers Union would recommend.

Senator STEVENSON. The staff informs me that the Library of Congress has prepared a study on the feed lot issues we were discussing and I order it placed in the record at this point, together with an analysis of corporations by Victor K. Ray "The Corporate Invasion of American Agriculture."

(The information referred to follows:)



THE CORPORATE INVASION *of* AMERICAN AGRICULTURE

By VICTOR K. RAY

THE CORPORATE INVASION
of
AMERICAN AGRICULTURE

By VICTOR K. RAY

*Director of Public Relations
National Farmers Union*

Published by NATIONAL FARMERS UNION, 1575 Sherman Street, Denver, Colorado

Copyright 1968 by National Farmers Union

PREFACE

It is best that here on the front end of this report to try to define what it is, and what I think it is not.

There has been some rush to get into print because the National Farmers Union wants to introduce the subject for study in its young people's program that will get underway at the beginning of the 1968-69 school year in September, 1968. Thus, it is not a complete study of the forces of change that are now at work in American agriculture. In some respects, it only scratches the surface. It is what seemed to me to be the most obvious and pressing nature of the reality during the middle months of 1968. But one thing is significant, I think. Everywhere I went—everywhere—there were evidences of the corporate invasion.

I think it has to be described as somewhat more than my own opinions. Although I am sure there are a number of assertions in the text of this book that will raise eyebrows of our President, Tony T. Dechant, I think he probably agrees with most of it. Anyway, he will be blamed, because he started me thinking about the problem, and contributed a great deal to my understanding when we managed to get together between my trips around the country to look at things.

Above all, I have had the help and advice of the extraordinary staff of Neaubal Farmers Union in Washington and Denver—Angus McDonald, Reuben Johnson, and Dr. Blue Carstenson, and many others.

Contributing to the ideas projected in this book have been Farmers Union leaders around the country, some of whom have testified at Senator Gaylord Nelson's Monopoly Subcommittee hearings—such as Ed Christianson of Minnesota, Ed Smith of North Dakota, Gil Rohde of Wisconsin, Syd Gross of Iowa, Ben Radcliffe of South Dakota, and Elton Berck of Nebraska.

I guess most of all, though, the reality of the impact of this new force in agriculture was developed for me by farmers whom I met for the first time and who felt strongly enough about the matter to spend time with me and talk about it—such as Amer Lehman of Colorado, Berge Bulbulian of California, and others.

A good deal of it came out of my own experience, starting when I saw sharecroppers move out on a highway in protest during the 1930s, and when I saw 27 farm families displaced on a group of farms bought by a feed and seed company in Southeast Missouri when I was a boy. During the years when I was a newspaperman and farm magazine editor, one area I always liked to visit was Northwest Arkansas where many Ozark farmers were going into broiler growing. I thought they were the most interesting, imaginative and, on

the whole, the best educated farmers I met. Sometimes they would invite me to stay for dinner and served good fried chicken, as well as stimulating conversation.

But a change has occurred in recent years. Those families are no longer the same. Many of them have left. Those remaining ordinarily don't invite you to dinner because the wife has gone to work in town, sometimes in a broiler processing plant. The husband can no longer make the living by himself. He has been reduced to working for wages. His pay is usually figured on a piece-work basis—per broiler produced. He isn't the same man he was 15 years ago, and he knows it. He's tolerated only because he works cheap. If he gets dissatisfied with his lot, the company—sometimes the same one his wife works for—says, with a show of regret, goodbye and good luck. Quite a few stay on, of course, partly because they have no place to go, and partly because of the anaesthetic delusion that everything is still the same, or that maybe things will get better some day. This saddens me.

Meanwhile, the same sort of thing is beginning to happen to others. The National Farmers Union will continue studying the problem, hoping to interest others in it, and perhaps developing a course of action for America before it is too late.

VICTOR K. RAY

Washington, D. C.
August 2, 1968

INTRODUCTION

We in the National Farmers Union believe "the corporate invasion of American agriculture" by non-farm interests is real. It is leaving behind "wasted towns, deserted communities, depleted resources, empty institutions, and people without hope and without a future." The invasion is still in the beginning stage. Some people see this trend as inevitable—that it cannot be stopped. Not only *can* it be stopped, it *must* be stopped.

I do not believe that we should concern ourselves only with trying to decide what the future of American agriculture is *going to be*—but what it *should be*. We should not accept any trend as inevitable. Trends are made by our public policy, not born of the wedding of inscrutable and uncontrollable forces. What is happening in America is *because* of our public policy—not *in spite of it*.

I believe we miss the significance of the corporate invasion if we consider it only a matter of the ownership and/or control of the land. The agricultural establishment of this Nation is more than land. People are involved.

Our democratic institutions grow out of the nature of people who are independent, who develop integrity and self reliance, who make their own decisions, who live in communities where neighbors share the security of common cause, yet have privacy that permits the highest development of individuals and the family unit.

What is happening in rural America cannot always readily be seen. Vast changes are afoot. In this book, Victor Ray gives us a birds-eye view of what is happening throughout the land.

We in Farmers Union believe that it is in the national interest that we decide—now—what direction we want to go. And now is the time to start doing something about it.

Tony T. Dechant, President
National Farmers Union
Denver, Colorado

CONTENTS

	PREFACE	iiv
	INTRODUCTION	v
<i>Chapter I</i>	THE SILENT ASSAULT	1
<i>Chapter II</i>	THEY INTERFERE WITH OUR MARKETS	13
<i>Chapter III</i>	THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES	28
<i>Chapter IV</i>	THEY'RE DESTROYING OUR SMALL TOWNS	41
<i>Chapter V</i>	CORPORATE HORSEPOWER	54
<i>Chapter VI</i>	IT IS LATER THAN YOU THINK	61
<i>Chapter VII</i>	IT'S A MATTER OF POLITICS	77
<i>Chapter VIII</i>	WHAT CAN BE DONE?	87
	BIBLIOGRAPHY	101

CHAPTER I

THE SILENT ASSAULT

Rural America is being invaded. It is not an invasion of tanks nor of troops. It is a subtle invasion, driven by engines of financial and political power. Indeed, the take-over is so quiet that the very use of the word "invasion" seems forced and inappropriate.

But it is leaving behind wasted towns, deserted communities, depleted resources, empty institutions, and people without hope and without a future. Its power is so enormous, so impersonal and ruthless, its progress so inevitable, that it may already be too late to stop it.

The urban society has long since been dominated or surrounded. Restless generals are studying greedily the weakened flanks of rural America. Area by area, commodity by commodity, the silent assault moves forward. The panzer divisions of corporate power—becoming more depersonalized with each celebration of victory—are mopping up the countryside, isolating the social and economic body of America.

So far, it has been easy. "The disparity of power" is so great, National Farmers Union President Tony Dechant has said. How can they fail?

It is not just the weakness of the agricultural sector that makes it easy for corporations—often subsidized and protected in other sectors of the economy—to take over. The climate of political and social opinion is warm and friendly, and welcomes the invader. Politicians accept the contributions of money and influence of corporations, and then do their bidding in the legislative halls of the Nation. The mass media make heroes of the new generals and tell the peasants that the take-over is inevitable. Urbanites do not understand what is at stake.

Nowhere is the misunderstanding—or failure to understand—more apparent than in the academic community. Few professors accept the idea that urban America has already been captured, despite the alienated residents of the ghetto, and the crime and the riots. How can they be expected to understand the assault now on rural America?

The new persuasion is that it is perfectly all right for America to have a corporate answer to every problem. But what is happening, to use John

2 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Kenneth Galbraith's observation, is "that we are becoming the servants in thought, as in action, of the machine we have created to serve us." Corporations no longer serve us. We serve them.

Galbraith has much to say that is accurate about the corporate scene. He is certainly a refinement over the herds of academic economists who gather in the shade of our land grant universities, flicking flies, bestirring themselves only for food and water. Galbraith rightly knows that the old explanations are not acceptable in the light of new facts. If he is going to have an audience, he must update his explanations. And he does—just enough to be believable, but never enough to move the audience to action. He observes, with a frown perhaps, "Some people are never content." It is, he notes, "a comfortable servitude" for most.

But his abrupt dismissal of agriculture because it is not a part of the "technostructure" is not acceptable. Indeed, his entire body of argument that things are really all right in our system because there is a "stand-off" between big industry and big labor must be rejected. There is no such "stand-off." If big labor did not exist, big industry would invent it in order to keep the whole structure from tumbling down. And nowhere in the society is disparity in the contest as enormous as between big industry and agriculture. Indeed, agriculture has all of the qualifications to be a part of Galbraith's "technostructure," *except power*.

This is the crux of the problem.

Agriculture has been systematically denied prosperity in our economy.

Our public policy has effectively limited the Nation's expenditure for food and fiber. This has been a decision of the society just as certainly as the minimum wage, social security, the intercontinental ballistic missile, and the draft.

The paradox of our agricultural policy is nowhere more apparent than in the monthly parity figures issued by the U. S. Department of Agriculture. The May, 1968 report notes that farm prices were at 73 percent of parity. Parity is everywhere defined as fair price. Secretary of Agriculture Orville Freeman notes in his book, "World Without Hunger," that 269 million children under 14 suffer seriously from malnutrition. Widespread malnutrition and hunger can be found even in the United States.

That the economic sector with the key to this problem should be relegated to a humiliating 73 percent of fairness is difficult, if not impossible, to explain. Yet it is now evidently taken for granted by a majority of our people. It is, to use Walter Lippman's term, the "conventional wisdom."

It is amazing how many of the ideas we have about agriculture are wrong.

THE SILENT ASSAULT

3

Let us examine our illusions.

Some of these are that we have a vast government program, the purpose of which is to serve farmers; that farmers are victims of their own inefficiency and conservatism; that farmers would really be better off if the government would get out of agriculture; and, besides, the government is ineffective anyway.

Does our program for agriculture serve farmers? At best, it only pacifies them. It keeps them from rioting. It certainly does not make them prosperous. Half of the substandard homes in America are on farms. Rural children get an inadequate education while they are at home, and irrelevant training and indoctrination if they manage to get into the agricultural college in their land grant universities. All of the services of the society—medical care, dental care, community planning—tend to be inferior in rural areas. And farmers have responded to the situation by leaving the countryside as fast as their old cars will take them. Rural population has declined 13 million since 1949.

We even accept this cruel and costly dislocation of people as being all right in our mobile society. At least we did until the result of the overcrowding began pushing pressures in the ghettos up to the boiling point in the "good ole summertime."

One of our illusions is in the form of a calumny that is repeated in various forms over and over, particularly among academicians. They say, "The farmer could survive if he would only adapt himself to change. He is too conservative."

Nearer to the truth is that the farmer has shown himself to be the most adaptable member, the more fearless innovator, in the society.

The charge that he is conservative arises out of a misunderstanding of just what kind of person it takes to be a farmer. William Ernest Hocking, a Harvard professor, put it this way:

"He is said to be conservative, and in a sense he is so, for he is not dealing with any simple matter of bolts and screws. He is dealing with the sensitive balance of forces affecting germination and growth, the most intricate processes of nature. He knows only too well that any onlooker can propose an improvement in his methods, but that not one in a hundred can devise a real improvement. Hence, he properly distrusts the salesman. But he remains the perpetual pioneer and innovator. No implement factory could survive two seasons unless farmers were prepared to try out new tools and to devise improvements on them. He is an ally of all the crafts and sciences in his efforts to improve the art of working his primary miracle of making things grow.

"There is a great deal of nonsense talked about farming and the satisfactions

4 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

of farming. It is especially foolish to speak of farming as though it were one sort of thing instead of a dozen very different sorts of things, especially in North America. It is peculiarly silly to talk about the joys of being 'next to Nature,' without distinguishing between the times when Nature is a very agreeable companion and the times when her storms, her winter rigors, her excesses of dryness and wetness, her untamed irregularities turn the best plans into dust and ashes and empty pockets."

If farmers are so resistant to change, how is it that they have outdone the rest of society in the efficiency they have achieved in production? The per capita output in agriculture has increased 275 percent since 1940, compared to a 90-percent increase of industrial workers. Secretary of Agriculture Freeman said: "If we were as far ahead in the space race as we are in agriculture, we would be running a shuttle service to the moon by now."

No, something else is responsible for the fact that family farmers are relatively worse off in America than other segments of the society. That something else is the corporate monster in America, and it is now our master. And then, as if that weren't bad enough, this corporate master has its ventriloquial media and educational institutions saying that what is happening is inevitable, that more farmers must be ruined and dislocated and cast aside, and then America will be all right.

Can anything be done? Yes.

Let us get rid of the idea that the government can do nothing about the problems of family farmers. They've got those problems *because* of government policy. It is a policy that leaves the family farmer at a disadvantage in dealing with his neighbors in the economy—the people from whom he buys and the people to whom he sells. This government policy lets investors with money earned in protected and subsidized industries compete against the farmer for markets and land. It even rewards this kind of competition with tax subsidies.

This government policy keeps farm prices low in order to serve other segments of the economy and the body politic. This policy gives others first call on our basic resources of land and water. It denies the farmer the same right of control over his markets that it grants to other segments of the economy, thus making the small the victim of the large.

Doing Something For Farmers

America began trying to do something that seemed constructive about its farm problems right after the depression of 1920 and 1921. And the effort

THE SILENT ASSAULT

5

has always been put in terms of "doing something for farmers." But the net effect of all the effort has been more to stabilize the economy than to bring prosperity to farmers. To be sure, farmers were trying to get something done. But if they hadn't managed to get the effort rolling, big business would have done it for them. Curing the ills of agriculture was only incidental. Industry had to have it—just as it must now try to solve the problems of the cities that have been created by corporate America—to save its own skin. In other words, if we didn't have a government agriculture program, big business would—as in the case of big labor—invent it.

There is no active conspiracy in the sense that men met in smoke-filled rooms to plot the subjugation of farmers in our society.

But the corporate planners, the media, and the academic economists are consistent in their points of view. Their harmonious agreement affects the family farmer adversely. The situation seems to demand that we elevate the meaning of this harmony, if not to conspiracy, to active concurrence with intent to achieve this end. Otherwise, the parties to the harmonious agreement, the concurrence, should disaffiliate.

Just who are the masters of America? By now, the power has become so distributed among the parties to the "harmonious agreement" that the Rev. Ralph David Abernathy, leading masses of obviously poor, obviously powerless, members of the "Poor People's Campaign" in Washington in June, 1968, remarked that he was unable to find "just who the enemy is."

But Woodrow Wilson said in 1912:

"The masters of the government of the United States are the combined capitalists and manufacturers of the United States. It is written over every intimate page of the records of Congress, it is written all through the history of conferences at the White House: that the suggestions of economic policy have come from one source, not many sources . . .

"Suppose you go to Washington, you will always find that while you are politely listened to, the men really consulted are the big men who have the biggest stake—the big bankers, the big manufacturers, the big masters of commerce, the heads of railroad corporations, and of steamship corporations . . .

"Every time it has come to a critical question, these gentlemen should be followed as a matter of course. The government of the United States is a foster child of the special interests. It is not allowed to have a will of its own."

At the very moment when the second historic "march" of poor people was being held from the Washington Monument to the Lincoln Memorial on June 19, 1968, the Interstate Commerce Commission, ten blocks away, issued

6 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

an order granting railroads of America another three-percent increase in rates. This was extra income of \$300 million a year granted by government order. The increase was ordered despite the opposition of more than 600 intervenors, the *New York Times* reported the following morning. Among the intervenors was the Administration itself! One basis of the opposition was that railroads were vague about their specific needs. They just ~~had~~ their hands out.

William A. Imhof, a lawyer for both the U. S. Department of Agriculture and the General Services Administration, asked the ICC to conduct a full investigation to "determine exactly what rates the railroads did need," the *Times* said. The railroads had been granted a three-percent increase only the previous August 19. The ICC said it was going to investigate for the next seven months the railroads' original request for rate increases ranging from three to ten percent.

When President Warren G. Harding asked Secretary of Agriculture Henry C. Wallace (the second of three distinguished Henry Wallaces in American agriculture) to call the National Agricultural Conference in Washington on January 23 to 27, 1922, he said:

"It is unthinkable that with our vast areas, our unparalleled endowment of agricultural resources, our fertility of soil, our vast home market, and the great ability and resourcefulness of our farmers, we should accept the status of a distinctly industrial nation. Our destiny seems to require that we should be a well-rounded nation, with a high development of both industry and agriculture, supporting one another and prospering together. It must be, and I feel sure it is, the national wish and purpose to maintain our agriculture at the highest possible efficiency."

The distress of agriculture at that time was, accurately enough, attributed to the business depression that began in 1920. Contributing factors were, significantly, unduly high freight rates, lack of facilities for intermediate credit, and the need for an adequate and integrated warehouse system. Note that all of these are extensions of the business system, far removed from fields and plains.

Instinctively, perhaps the conferees introduced a slogan: "Equality for agriculture." It has been with us ever since.

The demand for equality for agriculture cropped out at several places in the conference report. The report said:

"The conference declares that no revival of American business is possible until the farmer's dollar is restored to its normal purchasing power when expressed in prices paid for the commodities which the farmer must purchase, and the conference further declares that by right the men engaged in the

THE SILENT ASSAULT

7

agricultural field are entitled to a larger return than they have heretofore received for the service they give society."

It was a revealing statement, and similar statements are still being made. However, several things have changed. The farmer's plight has grown worse. And fewer farmers are left. At that time, 25 percent of the population was still in agriculture. It was undoubtedly true that no "revival" of business was possible until the farmer's dollar was restored to normal purchasing power. But now, with only five percent of our population still in agriculture, it may no longer be true. The economy is demonstrating that it can absorb the economic and social dislocations that are occurring as a result of discrimination against the farm sector. Indeed, one answer to the farm problem has been to steadily and mercilessly reduce the importance of farmers in the economy and the body politic. It is like ending an epidemic by burying the afflicted.

The social consequences of such discrimination are enormous and are only now beginning to be visible. A day of reckoning is ahead in the market place, because we are putting the Nation's basic physical resources of land and water into the hands of corporations. The necessary items that we cannot postpone buying—food and clothing—are moving into corporate hands.

The problem is not simple.

Chester C. Davis, a member and President of the Board of Governors of the Federal Reserve System, wrote in 1940:

"A nation's agricultural policy is not set forth in a single law, or even in a system of laws dealing directly with current farm problems. It is expressed in a complexity of laws and attitudes which, in the importance of their influence on agriculture, shade off from direct measures like the Agricultural Adjustment Act through the almost infinite fields of taxation, tariffs, international trade, and labor, money, credit and banking policy.

"... a nation never reaches the time when it can say its agricultural policy is fixed and complete. Evolution and change are nearly the only constant factors, partly because conditions at home and abroad which policy is required to meet are themselves constantly changing."

The "Corporate" Answer

Day by day, we are witnessing changes in America. Worse, we are frequently reacting to those changes in ways that do not slow down the undesirable changes, but speed them along.

Walter Hamilton in his book, "The Politics of Industry," commented:

"Change comes by stealth; more often than not it gets in its licks before

its presence is detected. Men meet situations which confront them with expediences. As the same problem arises and the same answer is repeated, they discover they have brought into being a folkway or formulated a policy or created an institution; and in time manners, policies, and institutions come to make up the fabric of a culture."

We are welcoming the invader, and building institutional fortresses for him.

Another depressing reaction to the complicated nature of the problem is the thought that once family farmers are swept under the national rug, and the whole enterprise is in the efficient hands of corporations, there will no longer be any farm problem.

It is possible that once they have complete control, corporations may rather effectively solve the price problem by doing what they do in the automobile industry, the telephone industry, and the others—simply set prices high enough to pay expenses and make profits. But there are enough uncertainties remaining in the business of working the miracle of creation to keep the problem of matching production to population with us for some time to come.

It might even be acceptable for the Nation to decide that it would be willing to pay into corporate coin-operated dispensers the cost of production, plus a nice level of profit, for our food and fiber, although that would ignore the vast social consequences of the decision. But the most disturbing economic fact that is apparent is that the corporations aren't as efficient as family farmers. Indeed, they are not as efficient at very many enterprises as small businesses. Even Galbraith admits this.

Let us realize at the outset that the corporate answers to our problems are often spurious. Michael Harrington observed in "Toward a Democratic Left":

"... the American system of inequality has shown a depressing vitality in the last two decades. In 1947, the poorest 20 percent of the population received five percent of the income, and it held this same five-percent share in 1964 (all figures are taken from the Current Population Report of the Department of Commerce, the Federal agency assigned to record this federal scandal). The second lowest fifth got 12 percent in 1947 and 12 percent in 1964. In short, 40 percent of the American people were held to a 17-percent share of the income through the entire postwar period. The five percent at the top got about the same portion as that 40 percent."

The situation is probably even worse, Harrington argues. The figures underestimate the evil, he says, because they are taken from tax returns. And "the highest income recipients hire expensive lawyers and accountants in order to

THE SILENT ASSAULT

9

conceal as much of their wealth as possible, while the rest of the nation pays as it goes."

Let us add another to our list of national illusions—the naive belief that what is good for corporations (to broaden the statement of a General Motors executive) is good for America.

Too many of our national decisions are made behind walnut-paneled doors of the great corporations. President Johnson recognized this in a message to Congress on January 30, 1967 when he said:

"It is in the private laboratories and in private board rooms that the crucial decisions on new fuels, new control technology and new means of developing power and locomotion will be made."

And he might have added: Decisions are made in those same board rooms to merge giant concentrations of power that affect the prices farmers receive and the prices they and all consumers pay; decisions that result in immense pressures on the Congress, government agencies in Washington (and the President); decisions that result in irreparable damage to the land and water resources of the Nation; and decisions that destroy forever entire communities in rural America.

If such privately made decisions were being made by stockholders of the corporations (as the public relations departments of these corporations so assiduously suggest to the public), it might add a degree of legitimacy to the process. After all, who is to say that stockholders don't have rights?

However, a revealing story appeared in the June 17, 1968 issue of the *New York Times* telling how a task force of the Securities and Exchange Commission was trying to develop guidelines that would require greater disclosure to stockholders of corporations. And the *Times* report continued.

"The task force considered—but discarded as impossible to enforce—the idea of attempting to make company prospectuses, annual reports and other documents more understandable to the average investor."

Corporate America is becoming more depersonalized and more remote even from the people who put up the money.

Andrew Hacker points out in his penetrating collection of studies in "The Corporation Take-Over" that:

"The corporation is power—the power of productive assets—without a human constituency. It has interests to promote and defend, but they are the interests of a machine more than those of the people who guide, and profit from, its workings. The managers who sit astride the corporate complexes do indeed have power; but it is the power bestowed on them by the resources of the enterprises they tend. Executives come and go, and their terms of office

10 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

in the top positions are surprisingly short. But the productive assets remain, continually developing new interests to be safeguarded and new demands to be fulfilled."

People are becoming more irrelevant in the big corporations. One third of all stock purchases are held for less than six months. There are few on-going constituents of the firms in which they hold shares. Significant owners of corporation stock are frequently not human beings, but other corporations—insurance companies, universities, banks, foundations, pension funds, and investment houses. At least two mutual funds in New York City are specializing in the purchase of agricultural enterprises.

The New Priesthood

A. A. Berle has noted that the trend is toward "self-contained control, and management is thus responsible to itself."

This is the force that is moving into rural America. It is not asking America or the Congress for permission to launch the invasion. It is not even asking its stockholders, but only its managers.

Who are these managers?

Nicholas Pileggi identifies them. In an article about the Harvard School of Business in the *Saturday Evening Post* of May 18, 1968, titled "The West Point of American Business," he said:

"Novitiates of a new priesthood, B School students have been trained to administer giant corporations, not to own them; to plan cities, not to govern them; to organize underdeveloped countries, not to run them. They have learned that it is nobler to manage than to possess, because in administration lies real power."

This emerging reality has important meaning for America. It means we are heading in a new direction. Should not the Nation be consulted before we are irrevocably guided onto another route? If such a new direction is followed, then it means changes in many of our institutions which have grown up to fit the old landscape but which may now be alien, may wither in the new setting.

Hacker says this:

"... (James) Madison foresaw the basic pattern which politics would take in American society. His main conception was that all citizens would be possessed of an interest: He listed property owners, creditors, land owners, manufacturers, and several others as examples. Madison was also concerned about the interest of those without property; but the propertyless, in reality, only become an interest when they organize a party whose aim is to socialize

THE SILENT ASSAULT

11

private property."

Is this where we are headed? Our corporate colonizers—including their academic apologists—should tell us.

We suggest here that the institutional values of the corporation may be inconsistent with the welfare of our society. One area where irreparable damage is being done is in rural America. Perhaps the illness of our cities can be cured; even if it means building new cities. But the damage to rural America—to a system of free enterprise that protects consumers, and soil and water resources that might take a million years to rebuild—cannot be undone.

Attempts are being made to find how far the trend to corporation farming has gone. The South Dakota Farmers Union asked tax assessors in that state for a list of corporations owning land and learned, to the surprise of the assessors, that 432 corporations owned 1,633,529 acres—the equivalent of five medium-sized counties.

The U. S. Department of Agriculture has been gathering information in the various states on the number of corporation farms. The report was due to be ready in the fall of 1968.

Lane Palmer, the editor of the *Farm Journal*, reported in the April, 1968 issue on his study of the corporation farming problem. After traveling over the Nation, Palmer came to no firm conclusions, suggesting an absence of alarm on his part. One reason, evidently, was that he believed so much in the virtual indispensability of the farmer who knows the requirements of his own particular brand of farming in his particular area. And then Palmer cited census figures indicating that the number of farms being operated by hired managers was declining—at about the same rate as the total number of farms in the Nation.

Two land grant university economists, Glen J. Vollmar and Everett E. Peterson of the University of Nebraska, argued at a hearing of the Monopoly Subcommittee of the Senate Small Business Committee at Omaha on May 21, 1968, that nobody knows how many corporations are farming and that the effects are not known. They suggested the matter be studied.

The number of corporation farms and the number of farms with hired managers is interesting. But a nationwide survey is not likely to yield relevant averages. Corporation farming has gained its foothold in certain local areas, and is expanding its hold from these beachheads.

The U. S. Department of Agriculture's figures are more likely to deceive than to clarify the issue. Its report may be something like a doctor diagnosing a patient's loss of his hand in a haybaler with, "Well, you've only lost four percent of your body. Look at it that way."

12 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

To continue with another metaphor, we should not wait until the horse is stolen before we try to lock the barn door. What we need to examine are the forces at work . . . the tax breaks that city farmers are getting, the interference and manipulation of the market that is occurring as a result of integration of production and processing and retailing. Then we need to ask ourselves: What trend is suggested by these forces? And is this the direction we want American agriculture to go?

Evidence is available now to show what the results of this corporate invasion of agriculture will be. Indeed, the results are already occurring. They are:

1. Consumers are being put at the mercy of a depersonalized monopoly.
2. A further concentration of political power is being created that is causing other problems in the society.
3. Our natural resources of land and water are moving into hands that are abusing them and will ultimately destroy them.
4. A social and economic reservoir that can never be replaced is being destroyed as our rural communities are being erased.

CHAPTER II

THEY INTERFERE WITH OUR MARKETS

There is grandeur about Denver at dawn. The light descends among the towers of the city. Westward, looming close, the great mountains stand, their jagged snow-covered peaks scratching at the belly of the stone-colored clouds. A cab driver sleeps in front of the Denver Hilton and jumps awake when you tap on the glass.

The city is already beginning to move, its energy stirring, as you drive along the streets. People are on their way to open doors and valves and switches so that the full flow of commerce can fill the arteries of the city.

But in the northern part of the city a strange silence hangs over the Denver Union Stock Yards. Parking areas around the brick cube of the building are empty. Few trucks are visible; there is none of the growl and hum and scrape, nor even the heavy smell, once so characteristic of stockyards throughout the Nation.

Three men stand in the large echoing lobby of the stockyards office building, talking desultorily. They turn and look disinterestedly as you enter; then continue talking. It is ten minutes until seven and the door of the office of the Denver Union Stock Yards Company is locked and dark.

Somewhere a door slams or something is dropped. The sound rattles emptily in the caverns of the building. Where is everybody?

There is a feeling that a disaster has befallen the world, the kind that is written about in the science fiction stories . . . a man goes into the streets of a great city and finds nobody, because a plague or other catastrophe has depopulated the earth.

And, indeed, the feeling is well founded. A disaster has occurred . . . in this decade, in this setting, in Denver, Colorado.

It is a commercial disaster of proportions that have not yet been assessed. An invader has struck, leaving behind the ruins of one of America's great commercial institutions. To be sure, the buildings still stand—but they have been gutted of their purpose. This was a market, a competitive market, an institution that was a foundation stone of the livestock industry.

Waiting for John O'Dea, the President of the stockyards to arrive, you

14 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

talk to Dana Malchow, engineer for the company, who has arrived early. The story emerges. You have seen part of it written on the large blackboard in the lobby.

The legend says: "Receipts Today."

	Cattle	Calves	Hogs	Sheep
Denver	200	—	800	300
Chicago	1,000	—	3,500	—
Omaha	9,000	25	8,500	1,000
Kansas City	1,500	25	3,500	800
Sioux City	5,500	25	8,500	1,000

200 cattle? 800 hogs? Malchow said, "That's right."

The Denver livestock market has been destroyed. How could it happen? You wait for O'Dea. What kind of man presides over the dissolution of such a vast enterprise? It is 124 acres of land, a tremendous value in real estate alone, served by six railroads and two interstate highways. It adjoins the great National Western Livestock Show Ground. What kind of man? . . . an old man who (as they accuse the farmer) is unable to change with the times, an impractical man, a fool?

The thoughts disappear when O'Dea arrives. He is a tall, well-built, surprisingly young, man. There is vitality about him, and intelligence.

What happened?

He does not speak for a moment, searching for the right words. How do you tell such a story? "Let's eat breakfast," he says. You go into the restaurant. A dozen men are there, four or five sitting around a table in one corner, two in a booth, another four or five at another table. There is no feeling in the room of rush to end breakfast.

"To answer your question," says O'Dea, "I know you have heard the story before. The big feedlots in this area are feeding the cattle. We believe that 25 feedlots are feeding 90 percent of the supply of cattle, and they deal directly with the packing houses . . . There's more to the story, of course. We saw it coming. We told the entire story in 'Low Man on the Totem Pole' back in 1962." And indeed they did tell the story—O'Dea and W. C. Crew, now Chairman of the Stock Yards board.

Knowing what was happening was simply not enough. It is true of the farmer, as it was true here. What the farmer faces—and what the Denver stock market faced—is a force over which there is no effective control. It is a corporate force, whose productive assets developed, as Andrew Hacker said, "new interests" and "new demands" to be fulfilled.

THEY INTERFERE WITH OUR MARKETS

15

What was the strategic significance of this successful assault?

A terminal livestock market is the only competitive arena in which the farmer's livestock can be sold. This was recognized at least a thousand years ago, when a law was in effect in Constantinople, designed to preserve for the farmers the fullest competition on this market. The regulation said:

"The butchers shall not go out to meet the drovers who bring their flocks for sale, in order that they may buy the meat more cheaply, and that due profit fall to those who slaughter the sheep and not to the drovers. All who are caught disobeying these ordinances shall be beaten and banished."

In England they called such direct buying "forestalling the market" and made it an offense punishable by law. Whatever the term used, it simply meant evading competition in the market place.

In Denver, Crew and O'Dea set out the case in their detailed and perceptive study. The exchange of cattle is between the big feedlot operator and the packer. The seat of the power is in the supermarket. And the supermarkets are making enormous profits on meat.

Here's what Crew and O'Dea said (in 1962) while they were still in business, marketing 787,000 cattle and calves that year (they marketed 1,034,000 in 1956).

"... The meat industry is now threatened with integration into a vast food distribution system controlled and administered by large corporate and cooperative chains capable of administering prices throughout their entire spectrum. By such integration, the decisions and rewards that were once properly the prerogatives of countless ranches, feeders, packers and processors, and myriads of retailers, would be delegated to a handful of corporate individuals who evince little, if any, concern for, or responsibility to the meat industry; or to the overall agricultural economy which makes their prosperity possible."

All that they predicted has now come true, for them. And it is spreading like a malignancy to other markets.

The supermarkets developed "new interests . . . new demands."

The biggest gun in the supermarket assault is at the meat counter. Red meat. This is the item housewives spend most of their money for. It is a fast turnover item. In no department of the food industry is the axiom more accurate:

The supermarket is dealing with a producer who must sell, and a consumer who must buy.

Remember this, because we will return to it again.

It is no accident that the corporate invasion would select the food industry

16 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

itself; and then, probing for the weakest sector, that it would choose the meat counter.

The fifth column on which the supermarket relies is the consumer, of whom the food chain spokesmen speak patronizingly as "Madam Queen." They refer to her as the omnipotent and infallible ruler of supermarket destinies. In reality, she is their slave. She spends more than \$72 billion a year for food, most of it in food chain supermarkets.

By her allegedly informed and unerring purchase of food items on a "best value" basis, the supermarkets flatteringly say she effectively sets the price of everything she buys.

But Crew and O'Dea said:

"Colorful and romantic as this concept might be, it is patently false. In reality, the American housewife (for it is she who is the physical embodiment of the glorified consumer) is a somewhat confused and captive 'purchasing agent.' Food is the largest single item in her family budget and red meats are the largest single item of the food budget. But the prices she pays are 'administered' by the food chains, and her choices largely are pre-determined by their calculated merchandising tactics."

Although Crew and O'Dea said it sooner, they were joined in their position by the National Commission on Food Marketing in 1966. In what may be the dullest and most restrained prose in the history of a subject noted for dullness and restraint, the Commission noted with suprising animation:

"Consumers are powerfully influenced by advertising and persistently pay premium prices for much-advertised brands when products of similar quality --sometimes the identical product--are available at lower prices. Impulse buying is common. For some, novelty is an end in itself. Children make a number of purchasing decisions."

The Commission noted that some advertising is misleading or downright deceptive; some package sizes and designs exaggerate the contents; essential information that should be contained in labels is often hard to find, illegible, or even missing; package contents may be in odd or non-standard amounts for no technical reason, making price comparisons difficult; consumer grades are confusing; etc.

Far from being "unerring," Madam Queen needs help, the Commission said. The situation is so grave that the Commission recommended:

1. Consumer grades should be developed and required to appear on all foods for which such grades are feasible, that are sold in substantial volume to consumers, and that belong to a recognized product category.

2. The Food and Drug Administration should establish standards of

THEY INTERFERE WITH OUR MARKETS

17

identity for all foods recognized by the public as belonging to a definite product category and for which standards are practicable.

3. Packages and their labels should assist consumers in gaining an accurate impression of the contents and in making price comparisons.

4. A centralized consumer agency should be established in the Executive Branch of the government by statute.

The reader will recognize that these suggestions only are concerned with introducing a degree of honesty into the practices of the supermarkets. They are not suggesting restraints—except if you consider honesty a “restraint.”

Some of these recommendations have been achieved in the so-called “Truth-in-Packaging” bill. If there is any single piece of evidence that should convince the American consumer that he is a prisoner, it is that it took so many years to get “packaging” and “lending” legislation through the Congress, which requires merely a measure of truth on the part of the packager and the lender.

How do the supermarkets manipulate “Madam Queen?” Crew and O’Dea continue:

“The convenience of one-stop shopping, and of adequate parking space, are attractive. Advertising, and the unquestioned operating efficiency of the supermarket, conditions her thinking to unquestioningly accept all supermarkets’ claims of ‘less for best.’ She associates the built-in ‘maid service’ of many foods with the supermarket, since both became prominent at the same time. In any event, when she enters the supermarket she is a price-minded buyer and frequently the appearance of value seems just as satisfying as the reality.”

But the consumer, under these circumstances, Crew and O’Dea mix a metaphor to explain, “becomes a man of straw” used by the food chains to excuse, or to explain away, their reprehensible buying and merchandising practices. “Capitalizing on her penchant for ‘price,’ and her tacit acceptance of all the questionable merchandising tactics, she is deified as the ultimate end toward which all production, processing and merchandising activities must submit,” said Crew and O’Dea, continuing:

“Mark this most carefully—for here is the heart of this whole involved problem. The chains pander to her whims and her hyper-sensitive price consciousness, secure in the knowledge that her power at the polls reduces the likelihood of effective legislative criticism or restraint. They believe they can hold her loyalty only by incessant price-emphasis at the expense of the producer and processor.”

You would suppose that with the consumer at their mercy, the supermarkets might on occasion give her a break. Not so. Nowhere was this more

18 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

apparent than in the food chains' use of the semantically attractive "U. S. Choice" grade for beef, both as a basis for their own specifications and as an advertising gimmick to attract buyers.

Crew and O'Dea said:

"The Choice grade has been so persistently advertised that the impression has been created that there is no acceptable substitute for it. This is false. The Choice grade standards have not been changed materially since 1950 and fail to reflect significant changes in consumer preferences. The consumer has been warned repeatedly (the Keys report in *The Readers Digest*, 1961, and *McCall's Magazine*, 1962) that there is a definite relation between fatty meats and coronary problems. Choice standards require an excess fat cover or rind and a pronounced degree of fat marbling in the muscle tissue. In fact, it has been suggested that the three top grades be renamed 'Fat,' 'Fatter,' and 'Fattest.' This threat to the health of her family and the obvious economic waste in over-feeding cattle only to trim and throw the fat away in the packing house and retail store have combined to direct her attention to less-fat but equally nutritious meat."

(Note: Grading regulations were changed in June, 1965 to reduce amount of marbling required in the top four grades.)

Meat quality derives from several factors, including the kind of feeding and the inherited characteristics of the beef animal. Satisfying cuts of beef can be produced without excessive fat. Consumer tests have demonstrated that, when given a choice, "Madam Queen" will buy U. S. Good beef, or its ungraded equivalent, in preference to the fatter Choice beef. In fact, one major eastern chain exploited this preference until the USDA issued a cease and desist order. The chain advertised U. S. Choice and then sold ungraded, leaner beef at the same price in the same case.

But this may have been the least damaging exploitation by the supermarket.

Of "Procurement" and "Oligopsonies"

Robert A. McGowan, president and chairman of the board of directors of Safeway, Inc., discussed buying practices—"procurement," he called it—in a paper for the Foundation for American Agriculture.

After admitting that Safeway's net profit return "computed on the basis of net worth alone" was 15.3 percent in 1964, he offered in an explanation worthy of Lewis Carroll, the idea that debt and capitalizing leaseholds should also be counted when figuring profit, and that would reduce their profit to 5.7 percent.

THEY INTERFERE WITH OUR MARKETS

19

But this kind of double-talk was not nearly as far out as his description of procurement. He explained that Safeway buyers are "enjoined" from counter-offering or divulging any information concerning prices or quantities submitted by any supplier. Although it sounded like a "take it or leave it" kind of buying, he said "it permits them (packers) to do so at their own offering price, and we think it avoids any semblance of pricing pressure or price bargaining."

McGowan did not discuss how packers manage to dispose of their dressed carcasses when their first asking price is too high—and the Safeway buyer is enjoined from raising the price he has set.

Obviously, packers are directly under the supermarket guns. They responded to the enormous pressures by getting into the cattle feeding business.

Direct feeding by packers has been increasing from 500,000 to 600,000 head a year in the mid-1950s to 1,280,000 in 1965, according to the USDA. But all may not be known. There is secrecy about the matter.

Livestock men in the Denver area, where huge feedlots have taken over the function of farmer feeders, also speak of "packer controlled" feedlots. The feedlots are in the names of individuals, but they do business with only one packer. Many believe they are packer-financed. They believe that 25 feedlots are feeding 90 percent of the half-million cattle on feed; and at least 350,000 of those cattle are committed to a particular packer the day they go on feed.

Packer feeding of cattle very quickly affects the price farmers get for their cattle, particularly in an area where the number of buyers is limited. Arnold Aspelin and Gerald Engelman, both of the Packers and Stockyards Division of the Consumer and Marketing Service, conducted a study of the problem and published their findings in November, 1966.

They referred to the markets where there are only a few buyers as "oligopsonies." And when a packer-feeder gets involved in such a market, they found, the price on a particular day can drop 25 to 50 cents a hundred pounds. They said:

"Packer feeding allows the oligopsonistic packer to restrict market purchases, while still operating his plant at capacity . . . One way of looking at the market effect of packer feeding under oligopsony (or any other demand structure) is to regard the substitution of packer-fed cattle for market purchases as a reduction in demand for market cattle.

" . . . The essence of the above analysis is that a public market is particularly vulnerable to temporary shifts in demand due to packer feeding because supply is essentially fixed for the trading day. The large feeding packer is in a strong bargaining position in taking additional supplies from the market because animals on the market already are committed to sale. It is difficult for feeders

20 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

selling at a market to know when demand may be reduced by transfers of large packers. By the time they find out, they have already shipped."

Among the difficulties in determining just what is happening in the industry is that usually little is known about the interlocking relationships of various companies. For example, an inquiry will reveal that a feed lot sells to a packing company and a packing company sells to a wholesale dealer—but will reveal nothing of the relationships.

The situation is confused, and it led Gere Cervi of *Cervi's Rocky Mountain Journal* to comment irritably on July 17, 1968, noting that Harold Blitt had taken over feedlots formerly operated by Meyer and Dave Averch, longtime owners of Capitol Packing Company, Denver. The cause of Cervi's irritation was that *The Record Stockman*, a cattleman's publication, had permitted Cecil Hellbusch, a Safeway public relations man, to write a long "puff piece" on Blitt. Cervi said:

"It would take a Philadelphia lawyer to sort out Safeway's hidden interest in feedlots, packing plants, captive feeders, cattlemen busted and hanging on, and before long that's just exactly what is going to happen to Safeway. It (the world's second largest food chain) just can't go on forever wrecking the cattle production business in this part of the U. S."

The situation is so confused that the National Commission on Food Marketing recommended that the regulatory jurisdiction over transactions in meats, dressed poultry and products processed from them should be removed from the Department of Agriculture and exercised only by the *Department of Justice and the Federal Trade Commission*.

The Commission report commented:

"We also believe that the diverse activities of conglomerate and integrated firms will be less likely to be contrary to fair competition if information is made publicly available about their operations in the various fields in which they do business."

Some people believe the intent of our present laws is contrary to this trend. When HR 12115, a bill to amend the Packers and Stockyards Act of 1921, was before the Congress in 1966, Under Secretary of Agriculture John A. Schnittker commented on the matter. He noted that passage of the original act had followed a two-year investigation by the Federal Trade Commission. In 1919, the FTC reported on the conditions of concentration, tendencies toward monopoly, vertical integration and control of auxiliary marketing services. There was litigation against Armour, Swift, Wilson, Cudahy and Morris (later acquired by Armour) that resulted in a consent decree in 1920. The decree prohibited the packers from engaging in the retailing of meat and

THEY INTERFERE WITH OUR MARKETS

21

groceries and directed them to divest themselves of their financial interests in the public stockyards where livestock was assembled for sale to packers and others, terminal railroads adjacent to the yards, and the market newspapers and journals which were the principal media for carrying market news and information on prices and receipts to farmers. Congress then enacted the Packers and Stockyards Act of 1921 to provide for continuing regulation of the livestock and meat marketing systems, and to prevent malpractices such as those brought to light in the FTC investigation.

Several court cases have upheld the purpose of the Act. In December, 1960, the U. S. District Court for the Northern District of Illinois denied petitions to modify some provisions of the consent decree. This case was *United States v. Swift and Co., et al* (189 F. Supp. 885). This judgment was affirmed by the Supreme Court (367 U. S. 909 1961). The consent decree concerned forward integration by meat packers into retailing operations, and backward integration into the livestock marketing activities, such as the ownership of terminal railroads, public stockyards, market newspapers, etc. Packer feeding of livestock represents a backward integration of far greater consequence than the backward integration that was dealt with by the consent decree.

In the consent decree, the District Court stated: "The core of the defendants' business activities remained untouched. They were left free to engage in meat packing, including slaughter, dressing and processing, and distribution at wholesale without hindrance . . . What is known as vertical integration was foreclosed thereby to a significant degree . . . Their economic power was thus not destroyed, but rather hemmed in."

The rationale of HR 12115 was consistent with a decision of the U. S. Supreme Court in a case instituted by the Department of Justice under the Clayton Act relating to vertical integration in the shoe industry (*Brown Shoe Co., Inc. v. United States*, 370 U. S. 294 1962). In that case, the Supreme Court unanimously affirmed an order requiring the Brown Shoe Company, primarily a manufacturer, to get rid of the Kinney Shoe Company, primarily a retailer.

It is almost unnecessary to state here that HR 12115 did not become law.

The pressures on packers has had other effects. They have reduced them, in some instances, to shady or "careless" practices. The *Des Moines Register* reported on February 26, 1967:

"Iowa Packing Company in Des Moines has voluntarily made additional payments totaling more than \$100,000 to 1,500 cattle feeders in the state. The payments were made after the firm discovered an error in computing weights of carcasses sold on a grade and yield basis."

22 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

The newspaper article said the errors occurred because an employee was misreading the scales. Two weeks later, on March 10, the newspaper reported that the packing company, a division of Swift and Company, was closing down permanently. It had been in existence 42 years, had 800 employees, and paid stockmen \$67 million for livestock in the previous year.

There are other results. The *New York Times* reported on June 18, 1968, that 40 to 50 meat packing plants had closed throughout the country after Congress passed legislation to extend Federal standards to all meat packing and processing plants. Four of the plants were closed under an emergency section of the law permitting the shutdown of operations if a plant was found to be "endangering public health." Other plants closed voluntarily after they were told to clean up or close down.

This probably resulted in temporary dislocation of markets for some livestock. But in the long run no one is hurt more than the livestock producer when meat that is unsanitary reaches the housewife. Most of it is sanitary when the farmer sells it. He has a stake in what happens to it afterward.

Supply and demand. Where has it gone for the meat producer in this country?

Listen to J. H. Jackson, a production credit association manager of Rifle, Colorado:

"In order to have demand, we must have buying power. Today and for the past two decades, the buying power of the American public has been the greatest of any period in history. Financially, the American people are in position to, and are eating all they want. Food is not stockpiling in the warehouses because the public can't afford to eat.

"The annual per capita consumption of beef has more than doubled in the last 30 years, while the population of people has increased by about 77 million.

"Thirty years ago, 123 million Americans were eating 50 pounds of beef per person and buying at one of the lowest retail price levels in history. Today, 200 million Americans are eating 105 pounds of beef per capita, and paying the highest retail prices in history.

"When there were 123 million people eating 50 pounds annually, we had 69 million cattle. Today, with 200 million people eating 105 pounds of beef, we have 107 million cattle. What this means in terms of increased supply and demand is that the supply increased 70 percent while the consumption, or the demand, increased 335 percent.

Who's making the money out of beef?

One of the most penetrating analyses was made by Douglas Bradley of *Cervi's Rocky Mountain Journal* at Denver. He said in a copyrighted article

THEY INTERFERE WITH OUR MARKETS

23

on January 11, 1967, that the chain supermarkets in the Denver metropolitan area were making 45.49 percent on their sales of beef. His report was a detailed study of meat prices, cut-by-cut. He said that dressed carcasses that cost the supermarket \$228 were sold to housewives for \$418.

Naturally, Bradley's story created a good deal of flap in the industry. On March 22, 1967, Gene Cervi, the publisher, offered Bill McMillan, executive vice president of the American National Cattlemen's Association \$1,000 cash if he could disprove the report.

Cattlemen have sharp pencils, too, and the result of their figuring was the filing of an antitrust suit in the U. S. District Court against the Great Atlantic and Pacific Tea Co. of New York; Safeway Stores, Inc. of Oakland, California; and Kroger Co. of Cincinnati. As this is written, the suit is still before the court.

On March 6, 1968, a brief Associated Press item appeared in the *St. Louis Post-Dispatch* and other newspapers saying that the supermarkets had denied the charge that they had conspired to hold down prices they paid for meats and to retail them at artificially high levels.

Meanwhile, George Levin, a district president of the South Dakota Farmers Union, tells this story:

"During the days before concentrates and baled hay were available to stockmen on short notice, literally thousands of cattle died in the spring from starvation. One rancher had a number of cows down, too weak to stand without help from a block and tackle wired to an improvised tripod.

"One morning a rancher gave a cow a kick with the toe of his boot and said: 'Old Bossy, why don't you get up? What's the matter with you?' The old cow looked up at the rancher with her bleary eyes and replied, 'I guess I got too heavy a mortgage on my back.'"

What happened in Denver is not an isolated case. Crew and O'Dea are now cleaning up the debris of battle. They have been taken prisoner and released, but they will not again do battle to protect the same cause, nor to achieve the same goal.

They are shifting assets of the big stockyards to other purposes, creating a food distribution center. In June, 1968, space was being leased for a huge food freezing facility and to clients varying from a large restaurant chain to frozen food distributors.

Rural America has lost one of its most valuable resources.

Let us shift to Omaha, the world's largest livestock market.

24 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Walkie-Talkie Buying

It is raining in Omaha, but at 6:30 a.m., cars are already parked along the street for the long block that leads to the eight-story Livestock Exchange Building that sits in the middle of the stockyards. There is activity in the pens below. In the lobby of the building there is the orchestra of conversation, a rustle of excitement. The large restaurant is full.

Paul Daly, manager of the Farmers Union Commission Company, is in his sixth-floor office studying the day's consignment sheets. Shortly, when the market opens, he will go down into the pens where cattle are sorted according to weight and color and condition and quality . . . any of the things that might be important to the buyer.

When the market opens at 7:30 a.m., a buyer from one of the major packers comes into the pens. He is a young man, wearing slicker jacket and pants, chewing tobacco. A Motorola walkie-talkie is strapped on his back. The aerial whips as he walks and a hearing plug is in one ear. He looks with practiced eyes at the cattle in each pen, making notes on a clipboard tablet.

Why the walkie-talkie?

The buyer is in touch with his office. The message that may come later in the day goes something like this: "Our buyers in the country have had a good day. We now have our quota. No more purchases today."

"I have seen a buyer back away from the fence," said a Commission man, "when such a message comes."

For today in the Omaha area, tremendous numbers of cattle are being bought in the country. Every packer has country buyers. They go to the farm, bid across the fence, load the cattle out and weigh them immediately, and haul them direct to the packing house. Why? Well, one buyer said candidly: "If you think we're going out in the country to pay the farmer more, you're crazy."

Selling under such circumstances, the farmer is dealing with an expert who holds all the aces. It's not unlike the buyer of a used car.

"I sometimes think the farmer is going to smart himself to death," observed one Commission man.

Responding to the Farmer's Concern

The packers like to buy in the country.

There is evidence that this is the year of a concerted drive to break the Omaha market. In the first four months of 1968, cattle numbers coming into the Omaha stockyards declined 8 percent. Still, they received 506,037 head during the first four months of the year, compared to 550,431 during the

THEY INTERFERE WITH OUR MARKETS

25

same period in 1967. The figures may be irrelevant . . . after all, only 8 percent. But what are the forces at work?

Already, it is having this effect: Just enough volume is outside the market that the laws of supply and demand do not seem to work.

The terminal market—at its best—is competitive bargaining at its best. But already, something is keeping it from working at its best. The hog market, for example, seems to be anchored at around \$20 per hundredweight. The cattle market is anchored at about \$25 per hundredweight. It's like a sound barrier.

The emerging pattern has many ramifications. And the system outwits the government itself.

The March 17, 1968 issue of the *Des Moines (Iowa) Register* reported that Shinrone, Inc., a new corporation headed by a Detroit trucking executive, would grow 5,200 acres of corn—with no participation in the government's feed grain program that seeks to keep production in line with demand. The farm—at Odebolt, Iowa—has a 3,278-acre feed grain base, all corn. If the farm participated in the feed grain program at the minimum level, it would have diverted 20 percent of its acres, leaving 2,623 acres of corn. By staying out of the program, they are growing 2,577 acres more than they would have grown if they had participated at this minimum level. The average Iowa farmer has about 74 acres feed grain base. If the average diversion is 50 percent, then Shinrone is undoing the production control efforts of 70 average Iowa farmers; or if they diverted at the minimum level, Shinrone is undoing the efforts of 174 average Iowa farmers.

But this is not all of the story.

The postscript comes from Roy Sully, the farm manager, on May 21, 1968. He is a tall, lean, friendly Iowan who comes out of the big farm shop wearing grease-smeared coveralls. He explained that they are nearly through building a feedlot—for 10,000 cattle. "We're growing 5,200 acres of corn," he said.

Has he ever fed cattle before?

"No," he replied. "But you don't do these things by yourself anymore. We'll use a computer and feed them to optimum weight."

The nearest computer is at Ames, Iowa—at Iowa State. Thus, does the land grant university contribute to the new agriculture?

You see, it does not matter whether Shinrone takes part in the government program or not. It still gets the benefit of the feed grains program that works under such difficulty controlling production. The farm does not need to sell its grain on the market. It sells it on the hoof. And now, in addition, it will weaken the Omaha market—something every cattle raiser in Iowa and

26 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Nebraska will feel in his pocketbook.

Nor should it be assumed that the only market being affected is the livestock market. Sugar beet growers north of Denver see their bargaining power with the big sugar companies slipping away from them as the Gates Rubber Company contracts to grow 5,000 acres of sugar beets in Yuma County, in Eastern Colorado. But that's another story and some of its facets will be dealt with later.

Tomato growers in the rich "islands" area between Stockton and San Francisco, California see their market slipping away as corporation farms south of them contract for huge acreages. Worse, indications are that these farms will be not only taking their market, but their water. That, too, is another story to be dealt with later.

Nor is the only interference with the market value of farm commodities. Land itself is involved.

In the blackland areas of 25 counties in Central and North Central Texas, land prices jumped from an average of \$202 an acre in 1963 to \$271 an acre in 1965. In 1965, 40 percent of all land sales in the area went to buyers residing in metropolitan Dallas County. In East Texas, the picture was the same—with, as a study by Texas A & M University showed, 30 percent of the buyers from out-of-county, mostly Harris and Dallas counties. Land prices went from an average of \$118 an acre in 1963 to \$142 an acre in 1965.

In its August 26, 1967 issue, *Business Week* advised its readers that buying farm land for "weekending or retiring" could be good business. "Some farm machinery and capital improvements will even qualify for the seven percent investment credit," the article noted. "And losses can offset other taxable income."

One effect of this buying activity is to price the land out from under local farmers who may need to expand. This was a complaint by Edgar J. Lengel of Burlington, Colorado in a letter that appeared in *The Denver Post* on December 21, 1967. Mr. Lengel noted that Gates Rubber Company was buying land at such a rate in Yuma County that land prices were going up so that young farmers "who would like to get a foothold" were in effect priced out of the market.

Mr. Lengel commented on the apparent secrecy of the Gates' invasion. The company had started out saying it was buying 5,000 acres. But already, Mr. Lengel noted, they had bought 6,700 acres. In early June, 1968, Gates' purchases had already gone to 9,600 acres in Yuma County, and at least another 640 acres in an adjoining county. There had been no public announcement of the fact, however.

THEY INTERFERE WITH OUR MARKETS

27

For obvious reasons, such corporate invaders operate under a cloak of secrecy. T. C. Kennedy of Newman Grove, Nebraska, was contacted by the agent of an insurance company asking if they could use his name to buy land in the area. He refused, a reaction now being shared by others.

The Rocky Mountain Farmers Union told its members in the December, 1967 issue of its newspaper: "Hang onto your land. Why do you think the big corporations are trying to buy? . . . Because there's a better day coming, that's why."

The buying continues. Some of it is direct, and some indirect. Adrian Craigmiles of Rich Hill, Missouri, came into Southern Iowa and bought some 10,000 acres of land. The *Des Moines Sunday Register* on April 28, 1968 reported that Craigmiles had transferred 2,750 acres of his Missouri land to the giant CBK, Inc., a diversified corporation that has announced it is in the process of acquiring 80,000 acres of land from Texas to the Canadian border. It is phasing out its garment-making and the asphalt business to finance its farming operation.

The *New York Times* on May 5, 1968 reported that Doane Landco, Inc. of St. Louis, an affiliate of the Doane Agricultural Service, had set up a \$200,000 fund to acquire "suitable" farm properties.

CHAPTER III

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES

The Great Plains is a land of violence. It begins above, as giant clouds are piled high, thrown up by inner turbulence into great mountains, and then torn apart in savage cleavages.

Two influences—soil and weather—dominate the people of the region, creating strong men and durable women, who fight back. But they cannot win. In the end, they only learn to live with it, adapting their farming practices and lives to the environment.

The Great Plains make up one-fifth of the land area of the United States, extending from the Eastern Slope of the Rocky Mountains to the 98th Meridian, a distance of 750 miles at the widest point, and from Canada to Mexico, more than 1,600 miles.

Three large masses of air sweep into the region—those from Canada and Hudson Bay, cold and dry; those crossing the Rockies from the Pacific, warm to cold, dry to moist; and those from the Gulf of Mexico, warm and moisture-laden. These air masses collide above, doing violence to the land and people below. When all three air masses collide, the atmosphere tumbles and rolls and roars, resulting in heavy rains, and the blizzards of 1886 and 1949.

In "The Great Plains in Transition," Carl Frederick Kraenzel, Professor of Rural Sociology at Montana State College, describes the region:

"... the Plains are a semiarid land. They are not semiarid in that the climate is halfway between humid and arid. They are not half dry and half wet; rather, some years they are dry and even arid; other years they are very wet; and still other years they are wet and dry at the wrong times from the standpoint of agricultural production and yields. It is this undefinable aspect of semiaridity that gives the Plains their distinctiveness."

Climate, coupled with native plant life, has reacted on the parent material and the slope to make unique soil formations in the region. The top strata are laid down on a base of marine-rock sheets that incline upward to the West. In some areas, the debris mantle has a lesser depth than in other parts. Uplifts of marine rock and other parent materials form high elevations in some areas, such as the Black Hills of South Dakota and the Bear Paw Mountains of

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES 29

Montana. But such elevations are the exception. Low moisture—rainfall is under 20 inches a year on the Plains—has prevented undue leaching of the soil. The soils include the black belt that extends eastward into the semi-humid regions. The soil types move westward through the very dark brown belt, the dark brown belt, to the brown belt on the western rim, up against the mountains. Generally speaking, the soils of the Great Plains are the most fertile to be found. Inadequate moisture is their only limiting factor. But this protects the soils too—tending to reduce erosion.

Now a new factor has been introduced. In Eastern Colorado, square fields lie side by side and end to end as far as the eye can see. The mile squares—sections of 640 acres of land each—are wounded by shallow gullies winding across the fields, healed over by green bushes that protect the farmland on either side. Occasionally meandering across the fields are the upside-down rivers—with sand beds underlain by water flowing sluggishly below the surface.

But recently a new geometry is discernible—giant green circles are inside each quarter of the sections of land. These are huge self-propelled irrigation systems, pivoting at the center of each quarter-section, throwing out torrents of water into the fields. A new pattern of farming is emerging on the Great Plains.

On Wednesday, September 27, 1967, the Gates Rubber Company announced in Denver that it had formed a subsidiary to be known as Gates Farms to be headquartered at Joes, Colorado. Charles C. Gates, Jr., the company president, said the new company had already obtained more than 5,000 acres of land in Northeastern and Eastern Colorado. It was, he said, "the first of several similar projects envisioned throughout the United States to help meet the critical world demand for food." He also said the operation would yield a 12- to 18.7-percent profit on investment.

The *Rocky Mountain News* revealed the plan to the public in its issue the following day, and thus did farmers in Yuma County in the Joes area learn to whom they had sold their property, although they had already decided the buyer was some big corporation because the price was high and so much secrecy had surrounded the plans.

A buyer had taken options on land in the area, with the proviso that only those would be exercised where tests revealed the irrigation well in each quarter-section would pump a thousand gallons a minute.

Gates was already farming. It first entered the agricultural field in 1962 when it bought the A-Bar-A Ranch, a dude and commercial cattle ranch near Encampment, Wyoming. Afterward, it added to its ranching operations by

30 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

the purchase of other large ranches along the Colorado-Wyoming border. Its total holdings in the area are now reported to be 180,000 acres.

But Gates' most dramatic agricultural enterprise was Gates-Cyclo, a highly automated egg-producing operation near Brighton, north of Denver. Eight circular, windowless buildings house 100,000 laying hens, rotating the hens in rows seven cages high past water and food every hour, giving them two minutes to drink and two minutes to eat each time around. In the completely controlled environment, the temperature stays at 65 degrees and lights are on 14 hours a day, off 10 hours. Punch-card records keep track of every hen's production and when a hen begins to slip, she is removed.

The operation grew out of the merging of Gates' interest and that of the Cyclo Manufacturing Company, which developed the system. Several prominent Coloradoans backed the Cyclo experiment financially and became stockholders in Gates-Cyclo. Among them, said the *Rocky Mountain News*, were former Governor Dan Thornton, Congressman Peter Dominick, and Bob Six, the president of Continental Airlines.

The announcement by Gates that it was starting another farm venture brought mixed reaction. The day after the announcement in Denver, National Farmers Union President Tony Dechant issued a statement saying that the Board of Directors of the Farmers Union, when it had seen the announcement, had "decided to broaden this fight so non-farm interests trying to take over farming are challenged in every farm state.

"We will rally farm groups, co-op leaders, rural bankers, small-town businessmen and others in an attempt to get state legislatures to adopt statutes that restrict farming operations run by big non-farm corporations," Dechant promised. "We will put state legislators, governors and political party officials on the spot on this issue in the next few months. We intend to make corporation farming one of the major agricultural issues at the state level this coming election year. It certainly will be one of the highest priority projects for Farmers Union across the country."

Dechant's announcement must have surprised the Gates Company. It took the company several days to respond. But then, on October 3, 1967, *The Denver Post* quoted Louis E. Dequine, Jr., manager of Gates' agricultural division, as saying that the company would hire workers from Joes, Wray and the Yuma areas where it was buying the land. "It will be like a major new industry moving into an area," he said enthusiastically. The farmers who were being bought out would "move to town and live on their rocking chair income," he said.

Meanwhile, rumors were traveling at a great rate in Yuma County and

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES 31

throughout Colorado. But as is frequently the case, they often bore little resemblance to the facts. Slowly, the truth emerged.

In June, 1968, Gates had acquired 9,600 acres in Yuma County alone. There was feverish activity, installing irrigation equipment, planting. Gene Pugh, the resident farm manager, was turning out to be a very decent sort of man who was taking part in community affairs. He had joined the local Lions Club, the golf club, and had become the PTO president. PTO means in that area, Parent-Teachers Organization, which is not affiliated with the national PTA.

Only three farms had been sold to Gates in their entirety, and mostly their owners were already gone, retired, or just quit. One had gone to work for Gates. Seven of the sixteen farmers who had sold land to Gates were still farming. Two of the sellers were what might best be described as speculators. There was no mass dislocation of farm people as a result of Gates' purchases.

But something of fundamental importance was occurring. For one thing, Gates changed its goal from the one announced originally—to help solve the world's food problem and make money. Instead, according to Charles C. Gates, Jr., as quoted in the December 17, 1967 issue of the *Rocky Mountain News*, the huge "factory in the field" project was a "pilot research project in Eastern Colorado to develop information which we will supply to farmers to help them increase their profits by lowering production costs."

Gates said his "clarification" of the company's project was offered as there had been "some gross misunderstanding of our intentions into the agricultural economy.

"We recognize," he continued, "the economic security of the American farmer is of major concern to us, because we are providing many products for their operation—and anything we can do to underwrite the success of American agriculture . . . both us and the farmer.

"We are not in competition with any of our neighbors. Our present land holdings are smaller than many Colorado farm operations, but we believe they are adequate to accomplish our current research objectives."

By June, 1968, more of the Gates' operation was evident. If it was to be a research project—and used to demonstrate profitable practices, if it could find profitable practices—it was bound to be a success. Every Sunday, the roads around the Gates' farms were full of cars, people driving by just wanting to see what was going on. Unfortunately, they weren't learning how to farm; perhaps how not to farm was closer. For one thing, Gates was having trouble getting stands of sugar beets. Some fields had been planted over three times.

32 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

"If anyone learns from the Gates' experience, it's going to be Gates," commented one neighbor.

One man who sold part of his farmland to Gates said he was going to hang around a few years and buy it back—cheap.

It might be said the most important immediate effect of the Gates' enterprise was to bring new joy to the area. Some people were about to laugh themselves to death, it was said.

It all wasn't funny to Gates, however. In addition to changing to "research," they changed the name of the farm, dropping the family name. It became the Big Creek Farm Company, a name they use on one or more of the ranches up north, a neighbor said.

But there is serious concern in the area, too.

The Ogallala Reservoir

Underlying a 9,000-square mile region of Eastern Colorado is the Ogallala Reservoir. Gates is pumping water from this formation.

Amer Lehman, a farmer at Idalia, east of Joes, near some of the Gates' property, felt so strongly about the danger that he went to Omaha on May 20, 1968, to tell the Monopoly Subcommittee of the Senate Small Business Committee that "this resource can be exhausted in a generation or less in some areas."

Recharge of this reservoir, Lehman reported, is only by rainfall and is balanced by outflow. He said:

"Consequently, any withdrawal from the reservoir is in effect 'mining' of the water. Thus the critical policy question in the development of the non-renewable resource devolves around how rapidly it will be exhausted and who will benefit from its use."

This is not the first time the resources of the Great Plains have been exploited, Lehman said. The first time came in the 1870s when men from London, Boston, Paris and New York formed syndicates to run cattle on the open range. Overgrazing, homesteaders and the great cattle-killing blizzard of the winter of 1885-86 brought that era to an end. It was not until World War I that the next period of exploitation occurred. It was a time of great need for food. The first big tractors came to turn the sod. The drouth of the 1930s—and the wind—wrote the epitaph of that boom in the dust, Lehman said.

The next period of destruction came with the drouth of the 1950s. The government soil bank program came to the rescue and many fields were

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES 33

returned to grass again.

Now, it is Gates and others prodded by the "new interests" of impersonal corporations. In this instance, the corporation stimulating the exploitation (a case of one corporation stimulating another) is the Great Western Sugar Company. When Gates revealed his plan in September, 1967, he said he was in communication with Great Western with the idea of growing sugar beets. That "communication" evidently turned into a contract. That contract, and the others that are proliferating in the area, is having its effect on Eastern Colorado.

Here is the statement of H. E. McGovern and D. L. Coffin of the U. S. Geological Survey in their study, "Potential Ground-Water Development in the Northern Part of the Colorado High Plains":

"Natural discharge from the area is chiefly by stream flow and underflow into Nebraska and Kansas. Natural discharge from the aquifer by evapotranspiration is negligible because the depth to water is great in most of the area. Streamflow from the area, which is principally from the North Fork Republican, the South Fork Republican, and the Arikaree Rivers, is estimated to be 40,000 acre feet annually. Therefore, if the average annual natural discharge is equal to the average annual natural recharge, the natural discharge by underflow would be about 390,000 acre feet annually."

The irrigation pumps are now lowering the water table perceptibly every year. It is a permanent lowering. The Colorado State University Experiment Station at Fort Collins pointed out that replenishment is only about half an inch a year, and that one well pumping 500 gallons per minute would withdraw the equivalent of one-half inch of water from under a section of land *in less than two weeks*.

But Gates—and others—are withdrawing at the rate of 1,000 gallons a minute from under each quarter section of land!

If the water of the Ogallala is depleted, as it now seems bound to be, the area will return to dust—this time for good. It has all of the makings of the "American Sahara."

The late William Vogt in "Road to Survival" developed an equation, a bio-equation, he called it, that would be instructive and timely for the residents of the land above the Ogallala. Vogt, a recognized authority on conservation and land usage, was chief of conservation for the Pan American Union. He expressed the bio-equation $C = B:E$. C stands for "carrying capacity," the ability of a region to provide food, drink and shelter to the creatures that live in it. B means "biotic potential," the ability of the land to produce plants for shelter, clothing and food. E stands for "environmental resistance," or the

34 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

limitations that any environment, including the part of it contrived and complicated by man, places on the biotic potential or productive ability.

"The carrying capacity is the resultant of the ratio between the other two factors," said Vogt.

He said:

"We cannot force land into the pattern we wish to impose upon it, but must fit the use to the land, its capabilities, and its limitations. All management of land should be designed to maintain as favorable a ratio as possible on the right-hand side of the formula ($C = B:E$), improving it where possible, and at the very least maintaining the status quo. Where the relationship is deteriorating we must inevitably reduce the demand on the carrying capacity—either by a lower living standard or by a reduced population."

There is yet time to save the Great Plains. The patterns of ownership and, thus, the patterns of destruction of the physical resources, are still diverse. Perhaps . . . perhaps there is still time.

Land and Water

Your airplane banks northward after take-off from the Los Angeles Airport. Sailboats and other pleasure-craft, like white flakes chipped off the shore, float in the Pacific Ocean. The airplane moves inland over the north part of that monstrous, sprawling city of which Raymond Dasmann said, it is "difficult to find any really good reason" why it should have come into existence. A dirty brown smog hangs over the mountain-circled bowl of the city. And then, just outside the main bowl, a finger bowl—the San Fernando Valley—is clear but for a pale blue haze. The green eyes of thousands of swimming pools stare up at you. In some blocks, there is one behind every house. A picture of affluence—and a market, creating pressures—a vacuum sucking on the incredible area that lies to the north.

It is the San Joaquin Valley—usually called the Central Valley, lying between the majestic Sierra Nevada Range to the east and the Coastal Range to the west. It is a long valley, hundreds of miles long, extending from the Tehachapis on the south to the north above San Francisco almost to Mount Shasta. The valley is a garden . . . when there is water; and a desert when there is no water.

"Moisture comes to the western earth unevenly in quantity, and inconveniently in time," says Dr. Paul Taylor, Professor Emeritus of Economics at the University of California. "So the problem for technology is to move water from where it falls at the 'wrong' places and at the 'wrong' seasons to lands

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES

35

elsewhere that can be made productive when it comes at the 'right' places and at the 'right' seasons."

Aye, and thereby hangs the tale.

The question is: For whose benefit? At what cost? And to what effect?

In this area, the machine of destruction is so vast, its structure so secure, the cost already so enormous, that it is difficult to see how the resources can ever be used for "the greatest good to the greatest number." It is a classic in the subjugation of the common good. There are no guidelines to restoration because the non-exploitive situation has never existed.

The chapters in the history of California are punctuated with projects to bring water from where it falls to where it is needed—always at substantial public expense. No one can estimate the number of men who have died—under the gun and under the strain—as a result of the conflicts.

It is doubtful that any land in the world has been so brutally exploited by so relatively few men as California . . . the railroads, merchant thieves, capitalists without conscience.

Ownership of the California land was established by force and fraud, mostly in the decade from 1860 to 1870. The social structure of the state is in large part based on these patterns.

Famous names are involved in the land history of California. Ex-State Surveyor General Houghton emerged from office in 1871 with 350,000 acres of land. Ex-United States Surveyor General Beale had about 300,000 acres. A large part of this land is now in the famous Tejon Ranch, owned in part by Harry Chandler, publisher of the *Los Angeles Times*. Is it any wonder that the corporation farm issue is not discussed in the *Los Angeles Times*?

Another famous publisher's name turns up in California agriculture, Scott Newhall of the *San Francisco Chronicle*. His name is familiar in the Newhall Land and Cattle Company. The *San Francisco Chronicle* shows little interest in land reform.

Conflict over the garden and its life-giving waterstream began early.

In a valuable history of the subject, Paul Taylor tells some of the story in the March, 1968 issue of "The American West."

"In 1873 Congress authorized a commission to be composed of two engineers from the Army and one officer from the Coast Survey, for the purpose of examining and reporting on a system of irrigation in the San Joaquin, Tulare and Sacramento valleys. The Army engineers, joined by Professor George Davidson of the Coast Survey, perceived at once the unity of the watershed assigned for their study, and designated it the 'Great Valley of California.' Their report became a milestone."

The commission recommended public supervision of irrigation, even though it might be "distasteful to the parties involved."

Taylor continues:

"In the United States, said the Commission, the 'rights of water which have given so much trouble in other countries . . . can be established beforehand, if not for all time, at least on the principle of the greatest good for the greatest number.'"

The commission was joined in its recommendation by Major John Wesley Powell in his famous 1870 "Report on the Lands of the Arid Regions." He said that "the question for legislators to solve is to devise some practical means" by which water rights could be distributed among individual farmers and water monopolies prevented. Alas, the land grabbing had already occurred. The effect of the concentration of the land into few hands created power blocs that have dominated the public policies of California ever since.

The struggle, always pervading California politics, has even moved to Washington.

One such struggle was over the riches of Westlands. The area is on the west side of the San Joaquin Valley, stretching from Los Banos, southwest of Merced, down to Kettleman City, northwest of Bakersfield. Only 22,500 persons live in this area that is two-thirds the size of Rhode Island. Landowners, 240 of them, are huge. The Southern Pacific Railroad owns 120,000 acres, or 187 square miles.

For 25 years, landowners have mined water from their underground reservoirs "as miners once mined gold," Paul Taylor said. "So exhaustively have their pumps sucked up water that the land surface is sinking about a foot a year. The underground reservoir is depleted in quantity and quality. The sinking land jeopardizes the canals now being built that are needed to bring water to check further land damage."

This is the Westlands, one chapter in the brutal history of exploitation, that played out much of its action in Washington. Few more interesting or revealing struggles have occurred in American history. It is told by Angus McDonald in his brilliant account of "The San Luis Reclamation Bill," prepared for the Eagleton Institute in a series called "Cases in Practical Politics."

The San Luis Reclamation Project was to bring water to the Westlands from the north "where it falls." The issue in McDonald's action-packed scenario concerned a provision of the Reclamation Act of 1902 which sought to distribute as widely as economically practical the benefits of Federal expenditures. *It limited purchases of water by one person to the amount required to irrigate 160 acres.* The 160-acre figure was used because that was

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES

37

the amount of land authorized and distributed to each family in various Homestead acts. A man and his wife were entitled to enough water to irrigate 320 acres. The act further provided that purchases of water over a forty-year period, plus contributions from other sources, must equal the cost of construction. Since farmers participating in a project were required to pay no interest, the subsidy amounted to at least 50 percent. "In many instances," McDonald noted in his account, "the proportion of subsidy was much greater, since electric power revenues were used to help pay for the projects. In addition, certain costs allocated to flood control and navigation did not have to be repaid. They were taken out of the general tax fund."

The San Luis bill was drawn to create a new kind of partnership between the Federal Government and the state. The bill authorized a Federal appropriation of \$290,430,000, plus the cost of a distribution system and drains. The bill provided that the State of California should pay an "equitable" share. No amount was stated.

The public subsidy for further development and reclamation of the area was to be enormous.

McDonald said:

"The heart of the San Luis controversy lay in how the opportunity inherent in this expansion of arable land would be distributed . . . I saw the choices as between the family size farm and the corporate farm . . . In the San Luis area, the Farmers Union estimated that such a farm should contain 40 acres in deciduous fruits and nuts or 80 acres in truck, tomato and field crops, and 160 acres in meat production. On this basis, the federal project could support 6,100 family farms of varying sizes."

But in 1959, McDonald noted, large corporate farms dominated the area, with 130 owners holding 363,100 acres and 44 corporations holding 249,000 acres.

It should have been an easy battle.

The Reclamation Law of 1902 was clear on the 160-acre limitation. Not a single large landowner had agreed to dispose of land that was to be the beneficiary of the public subsidy. Testimony was vague on just what the ultimate cost would be but it appeared that it might go to \$1-1/4 billion before the distribution system was finished.

And Section 6(a) exempted the "state service area" from the 160-acre limitation. Other language in the bill would permit the Secretary of Interior to hand over the joint facilities to the State of California.

"Since the big landowners and other interests had great political power in the state," McDonald observed, "it seemed to me that the whole plan was

38 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

dreamed up as a way to get around the 160-acre limitation."

The fight began. All of the logic was with opponents of Section 6(a). Large numbers of people were involved. Principle was at stake. The cause was just.

But it was only after days and weeks and months of battle—during which Senators Wayne Morse and Paul Douglas fought with incredible persistence, even filibustering—that the objectionable section was eliminated from the bill.

But there is more to the story. Such powerful interests never give up, it seems. It is not, as Major Powell said, just for the "legislators to decide." After legislation comes administration.

The San Luis Reclamation Project is now in operation, (June, 1968). No large farm has yet signed a recordable contract agreeing to make land available to small owners.

On April 1, 1965, Secretary of the Department of the Interior Stewart Udall issued a press release announcing approval of the contract to build a distribution system to carry the San Luis water to the Westlands Water District.

The release said:

"At present only about one-third of the District's lands are eligible to receive irrigation water from the Reclamation development. 'Eligible' lands are those held in single ownerships of no more than 160 acres each, or 320 acres in the case of a man and wife. Most holders of lands exceeding this limit have expressed their intent to sign recordable contracts for disposal of their excess holdings, but the operating agreement will be effective until such time as this is actually accomplished and 76 percent of the lands in the District are eligible to receive project water."

But on July 29, 1966, Jack Molsbergen of Mendota, a small community in the northeast corner of the Westlands Water District, reported on "progress" to the Senate Interior and Insular Affairs Committee. Well, "progress" is not quite the word for it.

Molsbergen said that instead of the estimated 33-1/3 percent of land eligible referred to by Secretary Udall, the figure had been "substantially reduced" at least to 25 percent, and perhaps as low as 15 percent. This had occurred because of the purchases of small ownerships by excess owners. "Excess owners" are those who own more land than the law allows to receive water in the district. Such owners are not only receiving water, they are prospering enough to buy out the small owners around them.

Molsbergen, a real estate salesman who is thoroughly familiar with land

THEY CAN'T BE TRUSTED WITH OUR NATURAL RESOURCES

39

transactions in the area, said that the Westlands Water District (not "irrigation" district) gives one vote for each dollar of assessed valuation. "Three or four or the largest owners can vote together and control any issue, even if it were possible to organize all other voters in opposition," he said.

He said this was affecting the design of the distribution system in order "to make the small owner get disgusted and sell out." Many have already done so, he reported.

Molsbergen said:

"I have attached to this statement a voting record of Westlands Water District since it was formed, and also certain records of land purchases by large owners. What I cannot attach is a picture of the complete control the large farmer has in this area, through his position on the Board of Directors of Westlands, the County A.S.C. Committee administering the farm programs, in the management of the two cotton companies which do most of the production financing in the area, and because of the bulk of the business he now controls, over the political opinions of people he does business with. As one of the oldest landowners in the area told me recently, 'Those boys have been in the saddle so long they think they own the race track.'"

Molsbergen reported that Giffin, Inc. (a corporation owned by Russell Giffin, chairman of the board of directors of the Westlands Water District, and his wife) purchased about 3,700 acres of land in Westlands in fairly small ownerships. In May, 1963, Molsbergen said, Giffin acquired all the stock in A. M. O'Neill and Sons, a farming company operating about 4,000 acres of land. In June, 1966, a newspaper article reported on the purchase by Giffin, Inc. and Jack Harris, Inc. of the 11,000-acre operation of Sandell Ranch in Westlands, Molsbergen said.

And many other such transactions were reported to the Senate committee, whose chairman was Senator Gaylord Nelson of Wisconsin.

Among decisions of the Westlands Water District that could freeze out a small operator was the requirement that more than one outlet in parcels smaller than 160 acres would have to be paid for over a *five-year period*, even though the District would build the outlets with appropriations which would be repaid over *forty years*.

Molsbergen reported on continuing non-compliance and of irregularities noted by inspectors.

It was obvious that the Bureau of Reclamation of the Department of Interior had little intention of enforcing the law. It was another case of corporate influence being more powerful than the government agency charged with regulating it.

40 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

The testimony before the Senate Interior and Insular Affairs Committee was given in a hearing to consider whether the Department of Interior should be required to obey the law, and require recordable contracts from large land-owners stating that family-size farmers would have a chance to purchase the land. Needless to say, the law did not pass.

Paul Taylor said:

"Westlands is to water what Teapot Dome was to oil."

CHAPTER IV

THEY'RE DESTROYING OUR SMALL TOWNS

Odebolt is in Western Iowa, in an area that has been blessed with rich soil and good weather. A drouth comes only about every 20 years—in 1936 and 1956, folks recall—and then only for a year at a time.

The town is centrally located in the triangle of Omaha, Sioux Falls and Des Moines. Temperatures in January average about 19 degrees, immobilizing the organic matter that makes the soil dark and rich, and it rises to an average of a warm molecule-activating 74 degrees in July. The last killing frost ordinarily comes about May 4 and the first killing frost in the fall comes about October 2. Extremes can go above a hundred degrees in the summer and well below zero in the winter. The average growing season is an ideal 151 days; average rainfall is 30 inches a year.

The land rolls gently, lending itself to full cultivation; the topography is kinder than the river bluffs area to the west. Houses sit squarely, conservatively tending to face straight east, south, west or north. The architectural angles are modest squares, rectangles, and safely peaked roofs. Many of the houses are two-story, with one-story lean-to additions to accommodate growing families. Barns are rugged, painted against the extremes of weather, many with hay fork-supporting hip roofs.

A sign at the outskirts says that Odebolt is the "Star in the Crown of Iowa." Nearby is an extraordinarily neat cemetery, noticeably well cared for in this state which seems to care for its dead with unusual reverence.

There is a comfortable, intimate triteness about the business district. A story of one Iowa town tells of the theater owner who built a new movie palace, with a red carpet out to the sidewalk. But when it was finished, attendance declined. In desperation, he hired a consultant to find out why. It was the red carpet. Folks didn't feel comfortable coming in off the street, with their dusty shoes, stepping on the fine red carpet. Attendance was restored when the carpet was removed.

It is easy to believe that it could have happened in Odebolt. The people of Odebolt are too considerate to track dirt into a neighbor's home or business, or to complain at the absence of a foot scraper at the door, or about

42 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

a pretentious thick carpet inside.

There are, then, things not visible in the prosaic facade of neat, proud homes that sit along the tree-covered streets of Odebolt; shadows not apparent in the enormous elms that cool the lawns and churchyards; messages not communicated by a hurrying housewife stewing along on an errand or the businessman crossing the empty street to the bank for his daily deposit.

But there is a subject they discuss among themselves. It is something that angers, confuses, makes them envious, and saddens them. In the diversity that characterizes even the small towns of America, it is likely that you can also find people who are delighted and proud of this phenomenon. But one thing is for sure. It is something they cannot forget. Some think it is an economic cancer that is sickening the body and soul of the community—worse, a form of malignancy that is threatening to spread.

The topic is Shinrone Farms, Inc., 6,000 acres that surround the town on the south and west sides. It sits there, always visible, dominating the heart and mind, choking off the bloodstream of pride of the community, showing to the people of Odebolt every day of the year the presence of an invader of their way of life. The wealth of its owners seduces the youngsters. Its presence robs businessmen of hope for the future. It hovers there, its headquarters spreading away at the end of a mile-and-a-half tunnel of road lined and covered by magnificent elms that meet high above its center. But even the elms are sick, as though made ill by a contagion of the invader. The trees betray their illness in a telltale white substance that streaks down the trunks, the deadly symptom of Dutch Elm disease. When they are gone, Shinrone will be even more visible to the town.

It was the Adams Ranch, and is still called that despite its recent new ownership and its interesting new name. Odeboltians look at the gleaming white tractors and combines and other farm equipment—\$250,000 worth, according to the *Des Moines Register*—and see in the green shamrock on the radiators the flag of an alien force. The farm equipment was not bought locally. A businessman says with some bitterness that it was bought direct from the manufacturer; although a dealer at the county seat, Sac City, may be involved "in order to service the equipment."

The new owner is William Oldfield Bridge, whom few citizens of Odebolt have seen. He has a sentimentality about Ireland, as the shamrocks attest. Bridge is a Detroit trucking executive, operating a vast automobile hauling agency—the Baker Driveaway Company.

They say that Bridge and his wife may move to Odebolt and, if they do, it will be a most natural choice. For this beautiful community and its friendly

THEY'RE DESTROYING OUR SMALL TOWNS

43

people must be a temptation to a family accustomed to the ugly roar and impersonal grind of Detroit. It must be better to live in Odebolt than even in the spacious suburb of Bloomfield Hills, Michigan, where the papers say the Bridges now reside. Besides, Bridge is interested in horses, the newspapers say, and Shinrone will be glamorized by the presence of fine horses.

It is doubtful that anyone in Odebolt will convey to the Bridges what a barrier they must surmount if they find the natural friendliness they expect. It is unlikely that a single resident of this considerate little city will speak frankly with these strangers. Indeed, there are few who would like to face their own hostile feelings in the matter, for those who have met Bridge say that he seems to be a decent sort, friendly and sociable.

But implacable history must be overcome if the Bridges find welcome in Odebolt. The Adams Ranch has a wall around it—scar tissue that has hardened in response to its alien presence in this area where families have farmed their own land, their children have grown up together, visited in each other's homes, gone to the same churches, and shared the same pleasures, dissatisfactions, the tedium of lonesome days, and have longed together for the adventure of life.

The character of the Adamses, much of it, has been dimmed in the rushing years that have included wars and disasters and murders. Some of the older folks remember. William Adams was "a pretty good man," they recall, "known and respected in the town." Somehow he managed to buy the land around the turn of the century from somebody who had acquired it for \$3 an acre or less from a railroad. Then the Adams' name is further confused by the fact that three generations came and went. William Adams' son, Robert, was an odd one, they say. "He wanted to buy the whole town," somebody says.

"You mean, literally, he wanted to *buy* the town?" you ask.

"Well, it was the same thing. He said that if folks would rename the town 'Adamsville,' he would pave the streets."

They turned him down.

It may be that as a result they even invested the town name, Odebolt, with a romantic history in response to Adams' suggestion, because nobody seems quite certain how it really got its name. But the story they tell is that in the early days when the Germans and the Scandinavians were coming overland in wagons, two old fellows were making their way across the rolling prairie. The strain proved too much for the bolt in the tongue of the wagon and, suddenly, the team of horses broke loose, causing one of the men to exclaim, "oh de bolt!" They stopped to repair the wagon, and thus were the first settlers of Odebolt. It sounds rather unlikely, but it is better than selling one's heritage

44 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

for a concrete pavement.

And then there was the time an Adams (was it Robert, or his son, William II?) made a deal with the local elevator to sell some corn. On the day it was to be delivered, a disastrous storm covered the roads and the trees and the streets with a sheet of ice. There was conversation with the elevator manager who said, "Bring the corn another day."

"No, we've got a deal. We'll deliver it today."

Then, they say Adams ordered his hired hands—who would have liked to be in by the fire on such a day—to haul manure from the barnlots and spread it on the road to town so the loads of grain could be delivered. Inevitably the ice melted, but the manure—and its odor—remained and spread across the town, insulting the people. It was as if Adams had made a statement to the town, letting them know his contempt.

A new pastor arrived and observed the bitterness. When William Adams II walked down the street, nobody spoke. The pastor met him one morning and said, "Good morning, Mr. Adams." The young man just looked the other way.

The most recent owner before the Bridges was Charles Lakin. He mixed with farmers and bought some things locally. His wife was a member of St. Martin's Catholic Church.

But among the first things you will hear about Lakin was that he received \$241,000 in payments under the Agricultural Stabilization and Conservation Service program in 1966. "What right has a millionaire got receiving that kind of payment from the government?" they ask.

Mostly, Odebolt hides its shame from the world. But among themselves they talk about it. In fact, it seems "they talk about nothing else," somebody said. And now other farms are consolidating; other acreages are growing. They see it all as a part of the materialism that seems to obsess the new America.

Father Linus Eisenbacher of St. Martin's Church is a short man with a pock-marked face and a rounding middle. Despite his name, he seems to speak in an Irish accent.

He tells the story of St. Martin's—"named for St. Martin of Tours, a soldier who became disgusted with war. One day he met a beggar and cut his cloak in two, giving half to the beggar and, in a dream that night, he saw that the beggar was actually the Lord." He was made a Saint for his vision.

Father Eisenbacher can appreciate the idealism of St. Martin's. "The whole thing," he says (meaning the pressures that are taking people off the farms) "is affecting our people adversely. People are money hungry. They are secular. Spiritual values have gone down the drain."

THEY'RE DESTROYING OUR SMALL TOWNS

45

"Rural people live close to God," he continues. "The rain and the sunshine and the good weather. The farmer is reminded every day that he is dependent on God. But people who draw a salary don't care about such things. They just begin to live at night . . . I was born and raised on a farm. You could tell something about the season just by looking. There was the thunder and lightening with the storms. Here, even in this little town, you can't see a storm until it's on you."

St. Martin's has had a 30- to 50-percent drop in participation of its members in the seven years Father Eisenbacher has been there. "Religious attitudes are directly related to the land," he said.

"The small farmer can't compete," he added bitterly. "The government doesn't do a thing for the small farmer."

Not far from Odebolt, an Omaha resident took her 80-year-old mother for a Sunday afternoon drive to their home community. The old woman looked at the empty houses as they drove along the country roads and became so upset she began crying. Her daughter had to drive her home. What was to have been a pleasant Sunday afternoon was spoiled.

The Snow-White Tractors

And now William Oldfield Bridge has bought Shinrone, hoping, perhaps, to find the peace that comes from walking in the plowed ground, involving oneself in the processes of creation. But he arrived at the wrong time in history at a place already ruined, and he arrived under the wrong circumstances.

The whole matter came to the attention of his neighbors-to-be in Odebolt on March 17, 1968, when the *Des Moines Sunday Register* carried a story Shinrone, Inc. that dominated the front page of its farm section. The story told of a shipment of new machinery coming to Shinrone:

"Folks blink a bit in this community at the sight of snow-white farm tractors, combines, implements and the like—all painted this somewhat unusual (for farm equipment) color. The white machinery is a part of the new look at what once was the 'Adams Ranch,' then the 'Lakin Ranch' and is now Shinrone Farms. There will be about \$250,000 worth of such white-painted farm tractors, combines, and equipment brought to the famous Sac County farming spread."

The story went on to identify Bridge and tell of the history of the farm, pointing out that it had sold to Lakin in 1962 for an estimated \$2.5 million; and that Lakin had receipted payments from the U. S. Department of Agriculture in 1966 amounting to \$241,000—more than anybody else in

48 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Iowa. The story said that Bridge had visited Shinrone three or four times.

If folks in Odebolt were blinking at the big equipment purchase, their eyes really popped open three Jays later when the *Des Moines Register* returned to Shinrone and William O. Bridge. The paper printed a lengthy Associated Press story datelined Washington by Harry Rosenthal and Gaylord Shaw. The headline was an attention-getter: "He Settles \$594,398 Tax For \$110,000."

They were talking about William Oldfield Bridge. The story quoted Harry Snyder, chief of the Internal Revenue Service collection division, at length about how the IRS had decided to settle for less than 20 percent of its claim. "If I were a gambling man, I would bet we got all we can," said Snyder.

The article continued:

"On Oct. 5 (1967) while Bridge's compromise was being processed, four newspapers—including the largest in Iowa and Nebraska—carried stories that the 6,000-acre Lakin Ranch near Odebolt, Ia. had been sold to a Delaware corporation headed by F. G. Bridge."

The story quoted Snyder as saying that the IRS was unaware of the articles (although the IRS maintains a 10,000-man field staff whose duties include clipping newspapers for items).

The story continued:

"On September 27, 14 days after initial approval of the compromise, a company named Shinrone, Inc. filed incorporation papers in Delaware. Shinrone's first annual report listed F. G. Bridge of Bloomfield Hill, Mich. as president and one of three directors, and W. O. Bridge as another director. It stated that 5,000 shares of stock had been issued at \$100 par value—a total of \$500,000.

"On September 29, Shinrone, Inc. reached an agreement to buy the Iowa ranch from Charles E. and Florence Lakin.

"On October 19, Shinrone, Inc. applied to the Iowa secretary of state for authority to transact business in that state, saying it was among other things 'to acquire farm properties and other real estate.'

"On October 10 at 2:40 p.m. an official memorandum and notice of the sale of the Lakin Ranch to Shinrone, Inc. was filed with June Rheinfrank, Sac County, Iowa, recorder. The document referred to the September 29 sale agreement.

"Shinrone took possession of the ranch on March 1. Sale price was not disclosed, but an expert on land values estimated the farm is worth \$3 million or more. He based this on the going price for farmland in Sac County—\$500 to \$700 an acre."

THEY'RE DESTROYING OUR SMALL TOWNS

47

The Associated Press story went on to quote the IRS examiner as saying that Bridge did not own any property, that it was all in his wife's name.

Odebolt folks were interested to read that the Bridges have a number of corporations and that their home in Bloomfield Hills is on a 50-acre plot, assessed for tax purposes at \$147,000 (Michigan law requires that property be assessed at 50 percent of its true market value. Frances Bridge was listed as the owner. The IRS examiner said that Bridge told him his assets were only \$100 cash and a life insurance policy with a surrender value of \$10,668.

It was a sobering story to the folks in Odebolt, most of whom work hard for their money and who have never thought of contesting the Internal Revenue Service and have never, in their most unrestrained dreams, visualized owning a \$3 million ranch.

Odebolt, Iowa—with its incipient illness already taking its toll—is the first chapter in a story that has already been written in other parts of America. You can read it in the empty stores and offices along the main streets, the deteriorated shacks that were once called home, the purposeless old people who are left behind and whose only meaningful days come once a month when social security or welfare checks arrive at the postoffice.

Worse, there being no jobs in town, the younger ones have loaded their possessions in old cars, or boarded buses, bound for the urban centers where the disease is more advanced, where the body of social values has rotted, where the stench will not be ignored. Sometimes they are called, contemptuously by their new neighbors, Okies and Arkies, even though they may be from Iowa or Missouri or Nebraska. It means only that they are country folks. (In the San Joaquin Valley, they refer to the second generation of these people as "CIO's"—the initials stand for California Improved Okies.)

The so-called Okies and Arkies, labeled by some as products of rural America, are not authentic representatives of the culture. They are representatives of the culture of poverty, of economic and social disenfranchisement. At home, on their own land, they were honest, hard-working, church-going citizens. But without their land, and without the stability of the familiar social values, they can become—as their haughty new neighbors say—whiskey-drinking, prejudiced, and often improvident Americans.

They, along with Negroes, most of whom never had the stability of property, the integrity of self-respect, the security of their own economic and social system, form a new problem in the cities of America. We are only now learning the enormity of that problem.

The tragedy is that we are learning it so late.

We were warned.

48 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Arvin and Dinuba

The most perceptive and detailed study of the economic effects of the transition of American agriculture was written in 1946 by Dr. Walter Goldschmidt, a Professor of Anthropology and Sociology in the University at California at Los Angeles.

It was titled: "Small Business and the Community—A Study in Central Valley of California on Effects of Scale of Farming Operations." He conducted his study for the Senate Special Committee to Study Problems of American Small Business.

Goldschmidt produced his paper on Arvin and Dinuba, California.

They are towns that are much alike, both located in the great Central Valley of California. Each is 15 to 20 miles southeast of one of the valley's principal cities—Arvin, southeast of Bakersfield; Dinuba, southeast of Fresno. Each gets about 10 inches of rain a year, and thus is dependent on irrigation. Grapes are important to both, although other crops are produced, too. In the Arvin area, the diversification includes cotton and oil. In the Dinuba area, the diversification tends toward fruits and vegetables. Temperatures are a little higher in the Arvin area, since it is further south in the valley. Average temperatures in January are 50 degrees; in July, 87. The growing season is a long 348 days, with frost ordinarily occurring only around the first of the year. Temperatures in the Dinuba area average 48 degrees in January, and 80.6 degrees in July. Frost may occur as early as Thanksgiving and as late as early March. Practically no rain occurs in either area from May to October. And that period may be visited by the dessicating chinook winds from the north.

But from this point on, the similarities of Arvin and Dinuba end. Arvin is an area of large, corporate-type farms. It is the location of the DiGiorgio and Giumarra holdings. In the Dinuba area, most of the farms are small, operated by families.

It was this difference that was the subject of Goldschmidt's study. In his introduction, he said:

"The family farm is the classic example of American small business enterprise. For generations this institution and the community it supports have held the esteem of all who have known and understood the American heritage. Statesmen, historians, economists and sociologists have generally agreed that the spread of the family farm over the land has laid the economic base for the liberties and the democratic institutions which this Nation counts as its greatest assets."

THEY'RE DESTROYING OUR SMALL TOWNS

49

Goldschmidt questioned the occupants of 10 percent of the houses in the towns and surrounding communities.

Here is what he found:

"Certain conclusions are particularly significant to the small businessman, and to an understanding of the importance of his place in a community. Not only does the small farm itself constitute small business, but it supports flourishing small commercial business.

"Analysis of the business conditions in the communities of Arvin and Dinuba shows that—

"(1) The small farm community supported 62 separate business establishments, to but 35 in the large-farm community; a ratio in favor of the small-farm community of nearly 2:1.

"(2) The volume of retail trade in the small-farm community during the 12-month period analyzed was \$4,382,000 as against only \$2,535,000 in the large-farm community. Retail trade in the small-farm community was greater by 61 percent.

"(3) The expenditure for household supplies and building equipment was over three times as great in the small-farm community as it was in the large-farm community.

"The investigation disclosed other vast differences in the economic and social life of the two communities, and affords strong support for the belief that small farms provide the basis for a richer community life and a greater sum of those values for which America stands, than do industrialized farms of the usual type.

"It was found that—

"(4) The small farm supports in the local community a larger number of people per dollar volume of agricultural production than an area devoted to larger-scale enterprises, a difference in its favor of about 20 percent.

"(5) Notwithstanding their greater numbers, people in the small-farm community have a better average standard of living than those living in the community of large-scale farms.

"(6) Over one-half of the breadwinners in the small-farm community are independently employed businessmen, persons in white-collar employment, or farmers; in the large-farm community the proportion is less than one-fifth.

"(7) Less than one-third of the breadwinners in the small-farm community are agricultural wage laborers (characteristically landless, and with low and insecure income) while the proportion of persons in this position reaches the astonishing figure of nearly two-thirds of all persons gainfully employed in the large-farm community.

50 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

"(8) Physical facilities for community living—paved streets, sidewalks, garbage disposal, sewage disposal, and other public services—are far greater in the small-farm community; indeed, in the industrial-farm community some of these facilities are entirely wanting.

"(9) Schools are more plentiful and offer broader services in the small-farm community, which is provided with four elementary schools and one high school; the large-farm community has but a single elementary school.

"(10) The small-farm community is provided with three parks for recreation; the large-farm community has a single playground, loaned by a corporation.

"(11) The small-farm town has more than twice the number of organizations for civic improvement and social recreation than its large-farm counterpart.

"(12) Provision for public recreation centers, Boy Scout troops, and similar facilities for enriching the lives of the inhabitants is proportioned in the two communities in the same general way, favoring the small-farm community.

"(13) The small-farm community supports two newspapers, each with many times the news space carried in the single paper of the industrialized-farm community.

"(14) Churches bear the ratio of 2:1 between the communities, with the greater number of churches and churchgoers in the small-farm community.

"(15) Facilities for making decisions on community welfare through local popular elections are available to people in the small-farm community; in the large-farm community such decisions are in the hands of officials of the county.

"These differences are sufficiently great in number and degree to affirm the thesis that small farms bear a very important relation to the character of American rural society. It must be realized that the two communities of Arvin and Dinuba were carefully selected to reflect the difference in size of enterprise, and not extraneous factors. The agricultural production in the two communities was virtually the same in volume—2-1/2 million dollars per annum in each—so that the resource base was strictly comparable. Both communities produce specialized crops of high value and high cost of production, utilizing irrigation and large bodies of special harvest labor. The two communities are in the same climate zone, about equidistant from small cities and major urban centers, similarly served by highways and railroads, and without any significant advantages from nonagricultural resources or from manufacturing or processing. The reported differences in the communities may properly be assigned confidently and overwhelmingly to the scale-of-farming factor.

THEY'RE DESTROYING OUR SMALL TOWNS

51

"The reasons seem clear. The small-farm community is a population of middle-class persons with a high degree of stability in income and tenure, and a strong economic and social interest in their community. Differences in wealth among them are not great, and the people generally associate together in those organizations which serve the community. Where farms are large, on the other hand, the population consists of relatively few persons with economic stability, and of large numbers whose only tie to the community is their uncertain and relatively low-income job. Differences in wealth are great among members of this community, and social contracts between them are rare. Indeed, even the operators of large-scale farms frequently are absentees; and if they do live in Arvin, they as often seek their recreation in the nearby city. Their interest in the social life of the community is hardly greater than that of the laborer whose tenure is transitory. Even the businessmen of the large-farm community frequently express their own feelings of impermanence; and their financial investment in the community, kept usually at a minimum, reflects the same view. Attitudes such as these are not conducive to stability and the rich kind of rural community life which is properly associated with the traditional family farm."

This was in 1946. You re-visit, so to speak, the scene of Dr. Goldschmidt's study.

It's difficult to find anybody who'll brag about Arvin, California.

A Mexican-American resident who has joined the United Farm Workers Organizing Committee, tells you what you'll see when you get to Arvin: "A lot of shacks and a lot of old cars with Texas license plates."

A Mexican-American woman past middle-age—or who looks it—has worked in the packing sheds of the big corporation farms for ten years: "They pay no attention to poor people here."

A businessman who has an attractive office and more than one business enterprise: "We have been here seventeen years. When we came here, they said Arvin would change. It has changed—for the worse. All of our children are grown and have moved away. And we're happy. There's nothing here for them."

You drive through miles of grape vineyards southeastward from Bakersfield to Arvin. There is poverty in the landscape that defies the logic of the blooming desert . . . the acres of trellised grapes, the grasshopper legs of oil wells pumping lazily, and the occasional air conditioned car that moves along the highway with its occupants inspecting the riches of the fields.

But the houses along the way are poor, violating the riches of the land. Old cars sit in the yards. There are, as you were told, lots of Texas licenses. They belong to migrant laborers who have come into the area to work in the

52 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Giunarra vineyards where the United Farm Workers Organizing Committee has a strike in progress.

In Arvin, the houses sit close together. Many streets are either unpaved or the pavement stops abruptly 10 or 15 feet away from the yard fences. Old cars are parked along the street, wearing out the dry grass, and dust blossoms up as you walk along.

The sun is like a hammer, beating down, your eyes squint to protect you from it.

You go into a restaurant to get out of the sun. Two men sit at the counter talking in low tones, complaining about something somebody has done. They look up and see a stranger, and swivel on the lunch counter seats to direct their voices away. When they pay the check, there is no recognition by the waitress, and no friendliness. You notice that they did not leave a tip.

You drink your coffee black because the waitress has disappeared into the kitchen without serving cream. It is too much trouble to call her back. You can hear the conversation in the kitchen. She lived in Los Angeles until six months ago. She is going to leave next week. "I wish I could leave today," she says.

Finally, she returns and puts your check on the counter. You leave a tip and she seems surprised, but puts it in her pocket.

Out on the street in the sun again, you notice the blind windows of the empty stores. You talk to people. They tell you that one out of every three people would leave tomorrow if they had anyplace to go. They tell you that all the big farmers care about is cheap labor. They want to pay everybody the same wages they pay migrants to cut weeds.

The high school has, on only two occasions, graduated as many as half of the number who entered it since it was built.

You are told that the police care nothing for the Mexican-Americans. "They'll stop a fight between two white men but, if they are Mexicans, they'll let them fight until one of them is beaten up before they stop it." A Mexican woman had her life's savings stolen from her home—\$3,000—and they didn't even try to find it.

You drive out of Arvin, saddened by a city without pride. A city ought to be proud. People ought to be proud.

What kind of city is Dinuba?

A girl in an insurance office thought for a moment, and answered: "It's a good place to bring up children."

Dinuba is located in the northwestern corner of Tulare County. The Sierra Nevadas almost evade the eye just beyond a curtain of haze.

Here, too, you drive through miles of grapes and orchards. But there is a

THEY'RE DESTROYING OUR SMALL TOWNS

53

difference. Neat, well-cared for homes are frequent, but it is difficult to ask directions because families are in the fields working, and children are in school. When you find somebody, the dogs are possessive and lie growling in the dust while you ask. There is a gentleness in the people. They have not yet felt the cyclone of dissatisfaction that is turning in the gut of their urban brothers. They look you in the eye, but there is the same friendly superiority expressed to the outsider who is lost that is characteristic of country people everywhere.

There is a look of prosperity about Dinuba. There are no empty stores on main streets. You go into Mom's Cafe at mid-morning. Mechanics from the Chevrolet dealer sit around a table talking about a story in the morning paper reporting that building trades union members have gotten a new contract in the San Francisco area that pays \$7.50 an hour. "If I made \$7.50 an hour, I'd work two hours a day," says one.

When he leaves, he tells a waitress he hopes she has a nice vacation. She's leaving tomorrow.

Bob Raison, the editor of the paper, says: "We're a very law-abiding town. I can call the sheriff's department day after day, and they'll have rapes and robberies on their hot sheet, but none here. They're all in the south part of the county."

People don't drink much in public in Dinuba. When they drink, they usually drive to the Redwood Inn over at Sultana.

"We're trying to keep our kids here," says Clinton Cates, the high school principal. "We've got some jobs, in the phone company, in Pacific Gas and Electric, and in the yearbook company."

The town has five parks. They've just finished a new \$144,000 recreation building in Roosevelt Park. Then there is El Monte Park, Recreation Park, Jefferson School Park, and Dinuba Elementary School Park. Expenditures per pupil in high school in 1966-67 were \$640.03; in the elementary school, \$442.25. Fifty-eight percent of the high school graduates go on to college, and 25 percent graduate. And the high school operates a continuation school for those who drop out.

Tom Bivens of the Chamber of Commerce will fill your briefcase with leaflets bragging about the town. Dinuba has gained population and is now around 8,000. It has grown since Dr. Goldschmidt made his study, from 7,400. Arvin has lost population from 6,200 down to 5,400. It is a classic example of what lies ahead for the communities in rural America as we change from family to corporate agriculture.

CHAPTER V

CORPORATE HORSEPOWER

The Federal Trade Commission building in Washington is an architectural monstrosity—rounded at one end, squared at the other to fit its triangle of land between Pennsylvania Avenue and Constitution Avenue, a few blocks from the Capitol of the United States. At the narrow, rounded end of the building are two immense statues—one on each side, of a shirtless giant of a man attempting to hold, without halter or rope, a plunging horse.

The statues were designed by a young WPA instructor, Michael Lantz of New Rochelle, New York, and it is easy to attribute significant meaning to them. One can imagine that the horses represent corporate America. The man, enormously muscular though he is, must represent the Federal Trade Commission. They are dramatic, exciting statues. But the corporate horses seem bound to win.

If family agriculture is to be saved, the corporate horses that threaten to trample it to death, must be tamed and broken to harness and bit.

The food industry is tugged as if by a giant magnet into the productive mechanism of the Nation. As the food distributing or processing corporation develops "needs" of its own, it must fulfill them. Thus, Ralston-Purina becomes the captor of broiler growers. National Tea Company operates its own egg farms. The orange juice companies grow their own oranges. The great competition markets for beef cattle are destroyed. Commodity after commodity falls before the corporate onslaught.

How do these corporations operate? Few more revealing episodes have occurred than the Federal Trade Commission case against the National Tea Company, both for what it revealed about the business logic of National Tea as well as what it showed about the attempts of government to protect the public.

Let us look at Docket No. 7453: United States of America Before Federal Trade Commission in the Matter of NATIONAL TEA CO., a Corporation:

"FINDINGS AS TO THE FACTS"

"1. The respondent, National Tea Company (hereinafter sometimes 'National Tea' or 'National'), is a corporation organized in 1902, under and by virtue of the laws of the State of Illinois, with its principal office and place of business located at 1000 North Crosby, Chicago 10, Illinois. It is controlled by Loblaw Grocerterias, Co., Limited, a Canadian corporation and subsidiary of George Weston, Ltd. of Canada. Loblaw Grocerterias of Canada purchased a substantial portion of National's common stock in 1955. As of June 1, 1957, it held 34.17%, the rest being divided among National's officers and directors (1.77%) and some 6,000 other stockholders (64.6%). In 1962, after the instant complaint was issued, Loblaw of Canada acquired more National stock, bringing the total to approximately 45%. Loblaw of Canada, at the time it acquired its controlling interest in National Tea, also controlled a New York corporation, Loblaw, Inc., which operated over 180 food stores in western New York, Pennsylvania, Ohio, and West Virginia, with annual sales of over \$240 million in 1957. One hundred fifteen of those stores located in the Youngstown and Pittsburgh areas, with annual sales of \$115 million, were transferred from Loblaw, Inc., of New York to National Tea in 1962. It was this transaction, paid for with National stock, that brought the Loblaw of Canada stock interest in National from approximately 35% to 45%.

"2. National Tea operates a chain of retail, self-service, cash and carry food stores dealing in groceries, fresh fruits, vegetables, bakery and dairy products, frozen foods, meats, poultry, fish and other items. It also operates its own meat packing plants in Colorado, Minnesota and Michigan; a feed lot for finishing cattle in Colorado; a general food plant in Chicago that processes its private brands of coffee, tea, pepper, salad dressing, peanut butter, olives, preserves, vinegar, syrup, jellies, soft drinks and detergents; and bakeries located in Detroit, Chicago, Milwaukee, Minneapolis, and Denver. In 1959, respondent operated 910 retail stores located in 18 states, with sales of \$829,518,276 and net income (after taxes) of \$9,025,208 (1.09% of sales). The stores purchased from respondent's own manufacturing plants products having a wholesale value of \$47,498,153, or 6.9% of the total food products purchased by the stores. It also buys in substantial volume from manufacturers who are owned or controlled by its parent and stockholder interests. In addition, respondent retails private label products produced by other food manufacturers and processors. In 1958, its purchases of such private label merchandise amounted to \$62,608,857, or 9.8% of the \$638,588,395 the company paid for the merchandise it sold in its retail stores. Altogether, private brand

56 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

merchandise accounts for up to 20% of National's total business."

Paragraph No. 3 set out the scope of the FTC proceeding as follows:

"3. The relevant lines of commerce involved in this proceeding are the sale of groceries and related products, as a class, and individual grocery and related products (including fluid milk and cream, frozen desserts, and frozen fruits and vegetables) as a class, at the manufacturing, wholesaling, and retailing level."

The scope of the proceeding is important for what it included—and for what it did not include. Notably, the omission included the company's "meat packing plants in Colorado, Minnesota and Michigan; a feedlot for finishing cattle in Colorado . . ."

What must be realized is that these operations have solid relevancy to the welfare of farmers, and affect the prices they receive for livestock (see Chapter II). National Tea evidently did not in 1958 operate its own egg farms, as it does now.

The FTC had every reason to include these operations in its case and could have worked with the Packers and Stockyards Division of the U. S. Department of Labor.

But, as will be shown, there is much more about the FTC to criticize than this omission.

A Tale of Two Cities

The FTC brought its case as a result of National Tea's systematic expansion program. From 1951 to 1958 it made 26 acquisitions, becoming the fifth largest retail food chain in the Nation. In 1945, H. V. McNamara, a former Kroger executive, was hired as executive vice president and general manager. He said candidly that the company intended to expand into all 48 states. In a newspaper account of an interview with McNamara in 1954, he was quoted as saying: "This is my aim and the aim of Garfield Weston, our principal stockholder. We plan to cover the United States like a book."

This is the kind of aggressiveness Americans can appreciate. It fits our image of pioneering business enterprise. But wait. Let's see what National Tea really had in mind.

Dr. Willard F. Mueller, the FTC's chief accountant, said: "When a firm makes a market extension merger into a new geographical market, it buys a going concern, it buys in effect a part of that market."

What's wrong with that?

The FTC case found significant differences in the National Tea operation

CORPORATE HORSEPOWER

57

in markets where they had higher percentages of the total business. The most interesting comparison was between Memphis and Denver. In 1958, National Tea had 5.8 percent of the Memphis market; in Denver, 24.1 percent. Memphis was not dominated by chains; Denver was.

In Memphis, gross profit margins (sales price less cost of goods sold) ranged from 13.06 cents to 15.49 cents for each dollar of sales. In Denver, the gross profit margins ranged from 16.82 cents to 19.70 cents for each dollar of sales. The company made money in Denver, and lost money in Memphis.

National Tea had significant advantages in Denver. Among these were an estimated \$300,000 a year in concessions from Beatrice Foods on purchases of dairy products. No other store in the Denver area had anything like this kind of competitive advantage—averaging about 12.5 percent discount on its purchases from Beatrice, the FTC said. Discounts and allowances to other stores in the Denver area ranged from zero to nine percent, on much lower volumes, of course.

The FTC case continues:

"57. There is one advantage, however, that National Tea does not enjoy over its independent competitors—superior efficiency. Respondent's officials and witnesses have argued repeatedly here that National Tea is, in effect, less efficient than its local competitors. There is some evidence that this is true. For example, in 1959, respondent's Memphis stores, on an average 'gross profit' margin (difference between cost of goods sold and sales price) of some 14.5¢ per dollar of sales, had direct store losses of about \$64,000, or just under 1¢ per dollar of sales. Average 'overhead' for the Memphis branch in 1959 was 4.7¢ per dollar of sales, thus bringing the total loss of the Memphis stores to well over 5¢ for each dollar of sales. Having lost more than 5¢ on a gross margin of 14.5¢, the 'break-even' point for those stores in 1959 would have been a markup of some 19%."

Indeed, National's policy indicated it had relatively little interest in profits in Memphis. Its purpose seemed to be to get a larger share of the market. One indication of this purpose was its advertising expenditures. In Memphis, National spent 1.09 percent of gross sales on advertising in 1959. In Denver, the percentage was only .21 percent. In that year, profits in Denver were \$1,604,887. In Memphis, losses amounted to \$1,149,598.

Taking the two areas, then, the net profit was about \$450,000. The people of Denver paid substantially higher prices—from 3.76 percent in lowest-profit margin stores to 4.21 percent in the highest. Average it off at 4 percent and it comes to \$2 million extra that National's buyers in Denver

58 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

paid for the necessities of life. And the United States of America lost \$1,149,598 in taxable corporation income!

Just what National Tea had in mind for the future was revealed in a statement by McNamara in 1959 while ostensibly calling for an end to "below cost" pricing. The FTC interpreted the statement to be actually a call for his more vigorous competitors to raise their prices:

"We are hopeful that after the industry has had an opportunity to analyse earnings for 1958, some offending operators might merchandise with a little more intelligence in 1959 for the general benefit of the industry, as well as the public. This is essential to the improvement of earnings, the protection of investment and the steady growth of the industry. In our opinion, a profit margin of 1½ cents out of the sales dollar would be fair to everybody, operators, shareholders and consumers alike."

The basic question then for the American people to answer is: Was it worth this much to finance National Tea's attempt to get control of the grocery business in Memphis?

How much is it costing America to finance National Tea's egg farming business in Wisconsin and in Illinois? And at what cost to farm families who must look elsewhere for their opportunities?

And then there is an even broader issue.

Dr. Mueller gave the following expert opinion on the significance of what was going on in the food retailing industry:

"If the top 20 chains of 1960 and all other chains with 11 or more stores were to continue to expand their market shares at the respective rates which they experienced between 1954 and 1958, by about 1984 chains of 11 or more stores (about 180 of them) would be doing all of the grocery store business, with the top 20 of 1960 doing 84 percent and all others 16 percent."

Considering the already enormous buying power of the supermarkets, what would this mean to farmers?

We know in theory what it could mean (see Chapter II), and we know in practice what it did mean. Denver is the scene of the action, where National Tea owned a feed lot and the biggest slice of the retail market.

In January, 1963, the price of choice steers was skidding downward. The price had been 29 cents a pound in the previous November, but less than 200 a week were being bought from farmers on the Denver market. The rest were coming from the supermarket-dominated or supermarket-owned feedlots. Quite naturally, with so few being bought on the open, competitive market, the price began to go down. By the third week in January, the price was down to 25 cents a pound. This was apparently the magic price, because in that

CORPORATE HORSEPOWER

59

week chain store purchases in the open market suddenly jumped to more than 700 head. The week before, the figure was below 300 head. But prices were on a toboggan slide downhill. The first week in February, they were under 24 cents a pound, and the supermarkets bought 1,246 choice steers in the terminal market in Denver.

Prices skidded downward to 22 cents a pound until the first week in March, when they began climbing. By the first week in April, prices had gone back up almost to 24 cents. The supermarkets just stayed away from the market entirely that week and the next week bought less than a dozen head. It triggered a disastrous decline in prices that didn't stop until the first week in May when choice steers were selling at 21 cents a pound. Wouldn't you know it? The supermarkets in that week bought 700 head in the terminal market. In the last week in May, purchases by the supermarkets went all the way up to 865 head. It was not to be that high again during 1963. Prices climbed back to 25 cents in early July. But again, the supermarkets stayed in their own feedlots, ordinarily buying about 100 head a week. The market began skidding once more, and by mid-December was once more at the 21-cent low.

What was happening to the price of beef at the grocery counter during this period? Prices hardly changed at all. Round steak sold for \$1.20 a pound in Denver from mid-February until December without any change whatever. Sirloin remained virtually the same, and there was no relation to prices farmers were getting. Indeed, in the middle of the disastrous July to December, 1963 decline (when prices to farmers were going from 25 cents down to 21 cents), the price of sirloin climbed upward to \$1.10 a pound at the grocery counter and stayed there from August to November.

Angus McDonald, the Research Director of the National Farmers Union, estimated that Denver consumers paid at least \$4 million more for food than they should have!

And in that same year, United States livestock producers lost an estimated \$2 billion!

Let us ponder these facts as we examine the action of the Federal Trade Commission in the matter of the National Tea Company. Remember, the FTC did not even include the feedlot operations in the scope of its case. At the time, there was discussion in the lower reaches of the FTC staff that this angle should be explored. But, unaccountably (as such things happen in Washington when big issues and big corporations are joined), that part of the case was not pursued.

What the FTC did was enjoin National Tea from purchasing any more food

60 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

stores for ten years "without prior approval of the Federal Trade Commission."

Again, what the FTC did not do is as important, if not more so, than what it did do. It did not order National Tea to sell any of its stores, for example.

No question about it—those horses plunging on the statues outside the Federal Trade Commission building are bound to win.

CHAPTER VI

IT IS LATER THAN YOU THINK

John A. Prestbo, staff reporter of the *Wall Street Journal*, said candidly in a report on August 9, 1967:

"There seems to be little chance of stopping the trend to corporate ownership, however. It's already well-established in some segments of agriculture and it's rapidly spreading to others. About 40% of the estimated 2.7 billion broiler chickens to be produced in the U. S. this year, for instance, will come from highly automated, factory-like farms run by a dozen big corporations such as Ralston Purina Co., Pillsbury Co., Swift & Co., and Textron, Inc. Similarly, big canners like Minute Maid Groves Corp., a subsidiary of Coca Cola Co., and Libby-McNeill & Libby now own an estimated 20% of Florida's citrus groves, compared with less than 1% in 1960.

"Many companies until recently limited their farm operations to such lines as egg, poultry and cattle production, which can be automated and systematically organized with relative ease. But new machines and chemicals that boost the yield to hitherto low-profit row crops like corn and soybeans have prompted companies to begin growing them as well."

Wallace's Farmer commented on February 24, 1968 that:

"The broiler industry is now highly integrated, and it remains a sick, unprofitable business. But the big companies that integrated it can continue to take losses on their broiler business for many years. Sooner or later things will shake down to a handful of big operators. Then they'll be in position to get control of production and force prices up to profitable levels."

Who ever heard of reduced competition meaning lower prices?—for long, that is.

Senator George McGovern (D-S. D.) told the 1968 convention of the National Farmers Union at Minneapolis that:

"If I were a Martian who had been asked to rocket over to earth and address a farm meeting in the United States of America this evening, there would be one chance in ten that I should open by saying: 'Mr. Chairman and members of the Board.'

"A little more than 10 percent of agricultural production is this country

62 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

is now by corporations.

"There would be about twice as much chance, one in five, that I should open by saying: 'Mr. Mayor, and residents of urban America. . .'

"Out of three million farm income tax returns in 1965, there were 680,000 or 22 percent filed by people who deducted farm losses from non-farm income and still had some income tax to pay on their non-farm income. That included 96 percent of all persons who paid on \$1 million income or more, 84 percent of those who had \$500,000 to \$1,500,000 income, and 73 percent of those with \$100,000 to \$500,000 income."

What is occurring in rural America is not as apparent as changes in other segments of the society.

When a new process displaces a few hundred factory workers, or a factory owner decides to move or close down, it makes a graphic impression. The newspapers take up the cause. They interview the displaced workers. They photograph the darkened factory. The chamber of commerce looks for a new industry.

But when low prices or a new gadget attached to a tractor throw thousands of farm hands out of employment, the tragedy is seldom visible. They are not all bunched in one area. Displaced farm families vanish one by one into the obscurity of the city or into the misery of a back street in the nearest small town.

The consequences of the change is not merely social, of course. It is physical. As has been mentioned previously, the land and water resources are being depleted. It would not be excusable even if communities were being helped.

But here is one example.

Self-propelled irrigation is spreading. One automated system irrigates 133 acres at a time. But it is the most intensive kind of farming known to man.

A glowing report appeared in the *Platte Valley (Neb.) Farmer Stockman* in July, 1968, telling of the installation of many systems in Holt County, Nebraska. The issue also had substantial advertising lineage from irrigation companies, of course.

The publication reported on the heavy investment required and the higher yields that occurred.

But it continued:

"But they (conservationists) are concerned about the creation of severe erosion, since some of the slopes border on 15 degrees or better."

The story did not comment further on this alarming possibility.

Further in the story, another revealing paragraph occurred:

"Surprisingly, the big change in the look and mode of farming and ranching

IT IS LATER THAN YOU THINK

63

has not yet made a significant boom for the area in general. Like most rural Nebraska counties, Holt County is gradually losing population."

We have discussed the effects of the corporate invasion in the rural areas. But these effects are being felt elsewhere, too. Assistant Secretary of Agriculture John Baker told the President's Commission on Civil Disorders on November 2, 1967:

"Past developments and trends in rural America—particularly on our farms—are directly related to, and are some of the fundamental causes of, urban civil disorder. Those of us who have been close to agriculture over the years have seen the inexorable thrust of modern technology and organization literally overwhelm millions of families—white and Negro—in the countryside—force them off the land and into the towns and cities, where both white and Negro add to the overcrowding that leads to explosion."

It is not merely a matter of overcrowding. The migration to the city involves a painful readjustment.

Baker commented further before the Senate Select Committee on Small Business, Subcommittee on Financing and Investment on June 27, 1968:

"They say goodbye to old friends, sever lifelong church affiliations, and leave behind family homes and familiar surroundings. In the cities, they are forced to make further sacrifices. No longer can they roam downtown sidewalks and parks without fear. They have to rise earlier in the morning, drive farther to work, and return home later at night, giving them less time to spend with their families. They have to cope with all the problems that come from having too many people in too little space—increased traffic, smog, inner city decay, the loss of individuality, rising tax rates, more demands and less incentive or purpose."

Is this the direction we want to go?

The Garbage Can Horizon

Secretary of Agriculture Orville Freeman cites the disappearance of three million farms from 1945 to 1955, the migration of 20 million people from the country to the city, and the submigration of a third of the cities' original population to the suburbs.

Then, he said:

"A generation passed, and more; a generation that had firsthand experience with the cockroach and the rat—but had never, many of them, seen a butterfly; whose view was bounded by garbage cans and concrete, but who had never seen a tree or an open field.

64 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

"... Who had lost, most damning of all, that one item that made the hardships of an earlier frontier bearable... hope."

What is happening is damaging the body and soul of America.

We must recognize that the institutional values of the corporation are inconsistent with the welfare of rural America. And they are gathering strength rapidly.

Do not imagine that the corporate system is merely one of aggressive investors who make it big. The ownership of most of the big corporations lies in other corporations. The Subcommittee on Domestic Finance of the House Banking and Currency Committee says too much of the ownership and control lies in the big banks. In two massive volumes issued on July 9, 1968, this subcommittee, headed by Congressman Wright Patman (D-Tex.), said that banks control much of the Nation's business through direct ownership, interlocking directorships, administering trust funds, and other ways.

The subcommittee looked at the 20 largest companies and found 23 interlocks with the directors of banks.

The most massive, from the standpoint of control, seemed to be the Morgan Guaranty Trust Company of New York. This bank had interlocking directorships, administered employee benefit funds with common stock, or owned stock in National Dairy Products Company, General Foods Corporation, Campbell Soup Company, Standard Brands, and the Great Atlantic and Pacific Tea Company.

Of further interest to farmers, it owns eight percent of the common stock of Deere and Company.

Nor is interest in food companies confined to Morgan Guaranty Trust, of course. Chase Manhattan Bank of New York has interests of one kind or another in Safeway Stores, Inc., Grand Union Co., Purity Stores, Inc., and the International Basic Economy Corporation, which operates table egg and broiler breeder operations in the United States and 25 other countries.

Of 49 big banks surveyed by the subcommittee, they found:

Fourteen director interlocks in canning and preserving fruits and vegetables, 14 employee benefit accounts, and 8 instances where the bank owned 5 percent or more common stock;

In grocery and miscellaneous food stores, 17 interlocks, 16 employee benefit accounts, and 11 instances where the bank owned at least 5 percent of the common stock.

IT IS LATER THAN YOU THINK

65

Other categories were:

	Interlocks	Employee Benefit Plans	Owned Over 5% Common Stock
Meat products	6	7	1
Dairy products	4	7	3
Grain mill products	6	12	5
Textile mill products	22	25	9
Lumber and wood products, except furniture	6	6	2
Agricultural Chemicals	3	1	3
Farm machinery, construc- tion, mining, material handling	12	21	7
Groceries and related products—wholesale	5	3	2

When the subcommittee finished the survey of the 49 banks, they found interests in hundreds of corporations in 132 categories of industry—with a total of 1,062 interlocking directorships, 1,251 employee benefit funds administered by the banks, and 707 instances where the banks owned or controlled more than 5 percent of the common stock.

The subcommittee staff said the labyrinthine links among banks and non-financial institutions raise serious questions of conflict of interest and anti-competitive practices.

On the same day that the subcommittee's report was publicized and Congressman Patman was calling for an FTC investigation, the *New York Times* reported gains in the earnings of Morgan Guaranty Trust Company. Net operating earnings during the first half of 1968 for Morgan was 10.86 percent on equity. Morgan has trust assets of \$16.8 billion. It also owns interests in five other big New York City banks, and its operative power is impossible to estimate.

The Controlled Environment

Investment letters tell of the purpose of the conglomerate mergers—attempting “to control their environment rather than be controlled by it.”

One letter cited the growth of one such conglomerate, the Ogden Corporation—with substantial holdings in food: “This growth has been accomplished

66 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

through a willingness to utilize financial leverage and acquisitions."

On July 10, 1968, the *Washington Star* quoted a Chicago-based financial consulting firm specializing in mergers and acquisitions that during the first six months of 1968 there were "a record 1,703 corporate consolidations—up 20.3 percent over the 1,416 reported for the comparable 1967 period."

But the close relationship of business and politics was emphasized on that same day when Dan Dorfman of the *Wall Street Journal* reported the financial community's reaction to the Federal Trade Commission's announcement that it was going to investigate the conglomerate merger trend. "It's going to be a lousy day. I think practically all the conglomerate stocks will take a beating."

But Wall Street has considerable confidence in its ability to deal with the vicissitudes of politics and, although conglomerate stocks did decline the day after the FTC announcement, said Dorfman, "the overall losses weren't as severe as he anticipated."

One analyst referred to the FTC study as merely "psychological warfare" with the conglomerates and not to be taken too seriously. "First, there's a study to be completed, and then there's the question of passing legislation," the analyst observed. As television's Maxwell Smart would say, "It's the old-study-and-question-of-passing-legislation game."

Secrecy is the code of the big corporations. The *Wall Street Journal* reported on June 27, 1968 that CBK, Inc. had received approval from the Securities and Exchange Commission to omit quarterly financial statements. The reason? "Because of the change in its operations from diversified manufacturing to farming," said the *Journal*. The report continued:

"CBK said it also was considering asking the SEC for permission to omit semiannual reports, but a decision hadn't been reached. CBK said interim reports for a farming company tend to be meaningless because of the seasonal nature of crop harvests."

They tell as little as possible about their operations. And what they tell does not always square with the facts.

R. Hal Dean, chairman of the board and president of the Ralston Purina Co. discussed his corporation's business in an article digested in the June 1, 1968 issue of "Feedstuffs" from a talk he made to the 60th annual convention of the American Feed Manufacturers Association. He admitted that "of course" the broiler business is almost totally integrated.

"But in other classes of livestock and poultry production I would make this categorical statement. Our Chow division is dedicated to perpetuating the independent producer. Ralston Purina Company has no interest whatsoever in moving in the direction of corporate farming for itself. We do not desire

IT IS LATER THAN YOU THINK

67

or intend to become a massive corporate farmer."

But he continued to explain that Falston Purina's "involvement in ventures of this kind represents our determination to know intimately the business of this new customer of ours from the most realistic and practical vantage point possible." And he explained that research no longer involves itself exclusively with nutrition that will grow a steer most economically or with methods that will produce a ton of feed with the fewest man hours.

"These are still important, but feed industry research today is also concerned with the housewife's preferences in the kinds of meat or milk or eggs she wants . . . So the feed man today is essentially a food man, too—a creative part of this vast and interrelated complex."

What is he actually saying?

It sounds like "ground-to-grocery-counter" integration.

Growing concern is leading some to suggest that corporations are going to have to start acting like the public entities they are—and disclosing information that affects the public interest. The *Christian Science Monitor* reported on June 25, 1968 that there is considerable "resistance" on the part of conglomerate corporations to the idea of disclosing such information as gross and profits in each area of operation, despite a recommendation of the Financial Executives Institute that additional disclosures would be in the public interest. The Securities and Exchange Commission has the power to prescribe disclosure requirements. "But, said the *Monitor*, "there is every indication that it prefers the institute's kind of public prodding to rule making in this controversial area."

The level of morality of the food processors is shocking.

The "U. S. Consumer," a Washington newsletter published by *Consumer News, Inc.*, reported in its June 26, 1968 issue on how beverage manufacturers were deluding the public with diluted drinks. The Food and Drug Administration had the temerity to propose that percentages of genuine fruit juice be labelled on containers.

The newsletter said:

"The sudden flood of protests from industry sources was not surprising, but it makes for interesting reading because it shows how thoroughly the public is being gypped and misled on these products. One company cited a study by the University of Maryland in 1963 indicating that so-called 'juice drinks' contained only 25% to 37% orange juice. The company added: 'Any juice above the 37% level added nothing in the way of quality or acceptability to the finished products.' . . . If you look at the list of ingredients, you'll find that sugar and water lead the parade, both of which you can add much more

68 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

cheaply at home."

But it is not only consumers who are being gypped. The impersonal economic pressures create a system based on exploitation of the weak, wherever they are found. Add to this inevitable pressure of economics a dash of racial or religious prejudice and you have a recipe for the most brutal kind of exploitation.

And thus, in *The Denver Post* on Sunday, June 9, 1968, was a long story about the workers in the sugar beet fields. Owners said there was no need to provide restrooms because the workers wouldn't bother to avail themselves of such privacies. This incredible argument was given in the face of a firsthand observation by a sociologist who stated that the Mexican-Americans were not less modest, but more modest than most Americans.

But such logic is all right in the system.

"This Town is Dying. . ."

Dennis Farney, staff reporter of the *Wall Street Journal* visited Cottonwood Falls, Kansas. On July 11, 1968, Farney's story began: "This town is dying. A visitor can sense it in the two minutes it takes to drive through the town's business district."

Farney did not relate the decline of Cottonwood Falls to corporation farming, but he told a story of corporate failure to deal with the problem. Local businessmen had tried in vain to follow the myth of industrialization.

"Emulating numerous other small towns, they formed the Chase County Economic Development Corporation, hoping to attract new industry here," said Farney.

They bought a nine-acre industrial site. They tried to raise \$50,000, but had a "hell of a time" raising \$5,500. The industrial site is still vacant.

The *Wall Street Journal* story is a long one. If it occurred to anyone in Cottonwood Falls that their problems are related to the changing patterns of agriculture, it was not reported.

In that same issue of the *Wall Street Journal* were other stories that revealed interesting comparisons between rural and urban, agricultural and industrial, America.

"Steel prices, users agree, seem certain to rise this fall," said one story. "The only question . . . is how big the increase will be."

Ralph Nader said General Motors Corporation was a "classic candidate" for antitrust action. Nader said the General Motors' profits after taxes averaged 22.7 percent return on net worth from 1947 to 1966.

IT IS LATER THAN YOU THINK

69

The International Longshoremen's Association, bargaining in dignity and elevating every one of its members to the first-class citizenship that comes when he talks as an approximate equal to the man who buys the product he has to sell (his labor), opened contract talks. The union asked the New York Shipping Association, representing the cargo lines, for wages of \$6 an hour and a six-hour day, the *Wall Street Journal* reported.

In Denver, the Oil, Chemical and Atomic Workers International Union—also giving its members the feeling that they have a measure of control over their wages and working conditions—said it would ask the oil industry for wage increases totaling 72 cents an hour, and other improvements.

General Electric Company received defense contracts totaling \$44.2 million. Sperry Rand Corporation received contracts of \$12.2 million.

In the same issue, United Press International reported that the Senate Agriculture Committee approved a four-year extension of the present farm program.

There was no comment about this renewal of the agricultural program to suggest that such quadrennial deliberations would be much more appropriate in such matters as the oil depletion allowance. Periodic consideration should be related to changing needs of the Nation, not to the changing mind of the Congress, as related, for example, to the budget, war needs, etc.

Despite the preponderant evidence that agriculture is in trouble—the declining population, poor housing and deteriorating community services, the growing concentration of ownership—there are those who say that everything is really all right.

The most sophisticated defenders of things as they are argue that everything must be all right because we are still producing more than we need, and the country is in great shape. Where are the signs of trouble?

Even though there is much affluence about, this "best of all possible worlds" assessment of American prosperity doesn't hold up. Ferdinand Lundberg in his book, "The Rich and the Super Rich," explodes the myth in his first sentence:

"Most Americans—citizens of the wealthiest, most powerful and most ideal-swathed country in the world—by a very wide margin own nothing more than their household goods, a few glittering gadgets such as automobiles and television sets (usually purchased on the installment plan, many at second hand) and the clothes on their backs."

Further on he says:

"... With only 19.1 percent of over-age males having a gross income above \$4,000 and 7.1 percent of retired females above \$3,000, economic success

does not appear to have crowned the efforts of most survivors in the most opulent land ever known in history."

But, say the defenders of the new corporate realism, that simply proves that farmers know what they're doing when they fight so hard to stay on the land. It really is a better life, and they made their choice.

Not true. There is no real choice for the farmer in his decision to stay in a ramshackle house, subsisting on poverty income, sending his children to schools that do not prepare them for the facts of life in these United States. It is not a choice in the sense that the urban citizen can make. The farmer is less mobile, less equipped to make a living elsewhere, less accustomed to the uncertainties of a new environment. Perhaps the most important reason he stays is that he has been systematically deprived of training for the new America as a result of the inferior educational system.

The defenders of things as they are will admit that the educational system is inferior. And that is one reason, they say, for the "efficiency gap." In no industry in America is the difference so great between the least efficient and the most efficient. And, they hasten to point out, the most efficient are making it—living in nice homes, sending their kids to college, and going to Florida in the winter.

What the defenders fail to mention is that in no other major industry in this country is the market geared to the *most efficient*. Why shouldn't the most efficient farmer have a chance to get really rich, as the manufacturer who develops the most efficient way to make fountain pens, reinforcement components for concrete, or plastic toys? Or, we hasten to add, as rich as the efficient seller of the farmer's products in giant supermarkets? A farmer who equals the kind of efficiency that brings wealth in other industries only manages to achieve a slightly more advanced stage of security for his family—not wealth by the standards of urban America.

This ingenuity of the most efficient is a source of great comfort to the defenders of this best of all possible worlds. It is impressive, of course. An entire publishing business—the farm press—has grown up around it, reporting the inventiveness of these "most efficient" farmers. It is thrilling, of course, to realize that a few are so ingenious and able. But it is like trying to diagnose an epidemic by examining those who have a resistance to the disease.

And the defenders go on to comment wryly: "Well, it's all right to let the corporations have a try at farming. They're going to fail. They can't match this American farmer who knows the soil, the productive process, and the eccentricities of his own area.

Perhaps. But let us be quick to recognize that the corporate farm may

IT IS LATER THAN YOU THINK

71

establish its own rules. Corporate giantism does not lead to efficiency anywhere in the economy. Quite the opposite. It makes up for its inefficiencies with power, and it makes the society accept it. It may be, however, that America won't settle for corporate inefficiency in its vital food and fiber industry.

But in the process of failing, the corporations will have destroyed rural America as we know it. The farm family will be trying to make it in the city. The small towns will be reduced to crossroads filling stations. The rural base of our democratic institutions will have rotted away.

Faced with such arguments, the defenders often fall back on the question of whether it's actually happening. If the future is uncertain, why do the corporations want into farming anyway?

What are the real motives of the corporations? They don't need the profits. Are profits ever enough?

An important motive seems to be continuity. America has protected its corporations, subsidized them, financed them with tax incentives, made them secure. They are now making long-term plans, looking for ways to strengthen their position—thus the trend to conglomeration.

It is obvious to everybody that land, when you consider the growing population, is getting scarcer. It takes little imagination to decide that a scarce item is a valuable item. Then, too, there is a mysticism of the ages that glamorizes land ownership.

The defenders of the faith in corporate America argue cynically: "Why, you want to roll back the calendar. You pretend to be a liberal, but you are actually a conservative, even a reactionary."

Such nonsense hardly deserves a reply. It is like saying that anyone who yearns for freedom—something our founding fathers talked about—is a reactionary who opposes change.

The linear view of history is invalid. History does not move in a straight line from one inevitability to another. Nor is attitude about movement a reliable indicator of liberalism or conservatism. Movement to something new is not necessarily forward, nor is it progressive.

There is much discussion these days over the rights of people vs. the rights of property. Those on the side of property rights are immediately suspect. Some of the defenders of the corporate faith, in their zeal, gleefully lump the farmer who wants to own the land he farms into the same group as the true believer in the sanctity and inviolability of private property, even when human rights are in conflict. This dangerously simplistic argument ignores a basic assumption in the political pattern of American society. James Madison's

main conception was that all citizens would be possessed of an interest. He listed property owners, creditors, land owners, manufacturers, and others as examples. He was also concerned about those without property. They have no interest in the society until, as Andrew Hacker points out, "they organize a party whose aim is to socialize private property."

Is this what the defenders of the corporate faith have in mind? Not likely. Then aren't they on the wrong track?

The concentration of farms into corporate hands creates more people without an "interest" in rural America. Thus, the real revolutionaries of our society may be the corporate defenders who are pushing us inevitably closer to the day when the propertyless will seek to develop an interest in the society by socializing the property.

It works in a variety of ways.

It weakens the faith of the people in the very processes of our government. The effect of the creation of such enormous farming enterprises, for example, has been to remove the ceiling from the amount of public subsidy such a corporation can receive. Farmers in the San Joaquin Valley of California had a subject for discussion on May 27, 1968, when they read in their newspapers an article by Leo Rennert, a McClatchy newspapers staff writer:

"Three San Joaquin Valley farms led the nation last year in qualifying for \$8.25 million in agricultural subsidy payments. The subsidies earned by growers who agree to limit crop production went to:

"The J. G. Boswell Co., Kings County, \$4,091,818.

"Rancho San Antonio, Fresno County, \$2,863,668.

"South Lake Farms, Kings County, \$1,304,093."

But these giant agricultural enterprises get another kind of subsidy that over the years may be larger. This subsidy is in the form of water carried to them at a cost to the public that can run as high as \$1,000 an acre.

Dr. Paul Taylor of Berkeley, California, the distinguished Professor Emeritus of Economics in the University of California, has fought gallantly against it. The law is on his side, requiring that such subsidies consist of only enough water for 160 acres per person, or 320 acres for a man and his wife, for example. But the 160-acre limitation has not been enforced. Dr. Taylor's reason for supporting the 160-acre limitation is as follows:

"That purpose is to place a ceiling, which in California's Central Valley, can now be estimated at about \$160,000 on the amount of public subsidy that an individual landowner may lawfully receive (160 acres at \$1,000 an acre), and a ceiling of about \$320,000 on the subsidy received there by man and wife. Have modern conditions made ceilings of \$160,000 and \$320,000

IT IS LATER THAN YOU THINK

73

unreasonable and consequently archaic?"

How long will the public stand for million-dollar subsidies?

Consider the statement of President Theodore Roosevelt before the Commonwealth Club of California in 1911. It was Roosevelt who inspired the 160-acre limitation in the Reclamation Law of 1902:

"Now I have stuck the crux of my appeal (for the 160-acre limitation). I wish to save the very wealthy men of this country and their advocates and upholders from the ruin that they would bring upon themselves if they were permitted to have their way. It is because I am against revolution; it is because I am against the doctrines of the Extremists, of the Socialists; it is because I wish to see this country of ours continued as a genuine democracy; it is because I distrust violence and disbelieve in it; It is because I wish to secure this country against ever seeing a time when the 'have-nots' shall rise against the 'haves'; it is because I wish to secure for our children and our grandchildren and for their children's children the same freedom of opportunity, the same peace and order and justice that we have had in the past."

But the 160-acre limitation has been ignored. We are steadily, inevitably moving closer to the day when the "have nots" will rise against the "haves."

The Cart is Before the Horse

There is much discussion about the distribution of food in the rural areas, a crash program that is undoubtedly needed.

But distributing food to keep Negroes on farms is putting the cart before the horse, if anything beyond prevention of malnutrition and starvation is the goal. Prevention of malnutrition and starvation is certainly a worthy goal. But a meaningful program must include changing the pattern of ownership of the land and increases in farm commodity prices. When that occurs, Negroes—and whites—will stay on the farms and pay their own grocery bills, as well as taxes.

Distributing land, not food, would do more to preserve our democratic institutions. Distributing power to control the factors that affect our lives, not concentrating those factors in corporate hands, is the answer. It is not only the poor in rural America who are disjoined and disenfranchised in the society.

In "The Corporation Take-Over," Andrew Hacker observes:

"... In our time, the characteristic institution is the corporation. The emerging middle class is a corporate creation. The corporation has raised these people from a lower stratum and has endowed them with a middle

74 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

class self image and middle class expectations. The corporation has transformed the small town and has brought the suburb into being. It has ironed out sectional differences and made us into a nation. But national citizenship remains an unworkable concept because the individual requires a smaller group setting if he is to achieve a sense of community . . . The corporation has certainly not set out to weaken the foundations of democratic politics, but its growth as the characteristic institution of our time is having this consequence."

Is Hacker a conservative because he wants to preserve that "smaller group setting" of rural America that gives citizens a sense of community?

So all right, say the defenders, let the farmer preserve rural America. If he is as ingenious, adaptable, and such a valuable resource in America, then he will prove it by surviving. The assumption that farmers can solve their own problems is as false as assuming that a lamb can survive in a meadow. However nutritious the grass and however agile the lamb, it depends on how swift are the predators.

The American Farm Bureau Federation, the land grant university economists, and the most sophisticated defender of all, the *Farm Journal*, cites one-by-one the Federal farm programs and says they aren't doing the job, ignoring the fact that most of them have been systematically weakened by people who didn't believe in them in the first place.

Farmers themselves become victims of the propaganda mills of the big corporations. And thus, *Farm Journal* reports disillusionment "over federal action programs." Naturally, they haven't worked as well as they should have.

For example, the *Farm Journal* editor, Lane Palmer, cites as an example of government failure:

" . . . it has now been more than 15 years since this country launched the Point IV program of technical aid to underdeveloped countries. We have sent billions of dollars and thousands of engineers, agronomists and Extension workers—sometimes depleting our own Land Grant College staffs. But at an International Agri-Business conference recently, I found a mood of deepening crisis. By almost any measure, the economic gap between the developed and undeveloped countries is widening."

Of course the gap is widening. But to hold the half-hearted Point IV program of the United States responsible is cynical and ridiculous. What would have happened if this small effort had not been made?

In fact, this whole line of syllogistic reasoning permeates much of the discussion of our farm policy. It goes like this: We've had government programs for over 30 years. Still, farmers aren't doing very well. Therefore, let's

IT IS LATER THAN YOU THINK

75

do away with government programs.

It would be much nearer to the truth to recognize that our government programs—though they have failed to bring prosperity and stability to rural America—have staved off disaster. Therefore, let's strengthen them.

Much of the advice the farmer gets is based on the erroneous assumption that the law of supply and demand always works. That's what the supply management programs are all about. But such things as packer feeding, concentration of buying power in such huge economic combines as the supermarkets, and the pressure to sell perishables, interfere with the law of supply and demand. Supply control alone simply does not result in higher prices for farm products.

Neither does efficiency of production guarantee a profit.

Palmer, addressing a meeting of the Western Farmers Association on February 8, 1968, said:

"At a breakfast with the National Future Farmers of America officers the other morning, I was pleased to hear a young man from a Wisconsin dairy farm say: 'There's only one thing we can do about imitation milk—learn how to compete with it!'"

This is a dangerous over-simplification. Learning how to "compete," in the context of Palmer's talk meant:

"Instead of legislation to protect the 'purity and nutritive value' of milk, they (dairymen) are asking for research to improve it and money to promote it."

He did not mention requiring that imitation milk be labeled so that the consumer will know that it is imitation. What about the use of non-wholesome and non-nutritive sodium caseinate in the imitation, thus cutting its price in half? All of the research in the world to improve real milk, and money to promote it, will not make it competitive with imitation milk as long as imitation milk can flout standards of sanitation, and then lie to the consumer about its contents.

Palmer continues:

"I'm afraid that hog farmers have too often placed the entire blame on those handy kicking boys—the packers and supermarkets. But could the failure be ours? In the business world, when a manufacturer can make a better product, doesn't he assume the responsibility for telling the world that it is better so that he can get paid for it?"

He must be kidding, equating the power to "tell the world" of a manufacturer with a farmer.

Palmer very accurately describes an obstacle to collective bargaining as we

76 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

have known it:

"How to tie the individual member to his bargaining group with enough loyalty to hold for a higher price."

That loyalty has been weak because bargaining hasn't been working. Give him the kind of government protection to bargain that has been given to industrial workers and his loyalty might be firmer.

Finally, Palmer ended his talk to the Western Farmers Association with the most dangerous absurdity of all:

"Competition is the law of our economic life . . . Competition is the name of the game—including the game of bargaining power."

Ridiculous! Power is the law of economic life in corporate America. Bargaining power is the name of the game.

CHAPTER VII

IT'S A MATTER OF POLITICS

Weather is near the center of a farmer's life. It controls his production. It creases his face and gives it the texture of hickory bark. It is the first thing he looks at in the morning, and the last thing he consults the sky about at night. The weather report is the part of the radio or television newscast that interests him most.

To the city dweller, the threatening click of metal at his double-locked front door will awaken him at midnight. But to the farmer, it is the sky's clearing of its throat with distant thunder, the sudden mutter of a rain shower on the roof, or the flash of lightning at the window that awakens him in the night.

You think of the seafarer as centering his life around water. But it is more true of the farmer. A pond that is drying up; a stream or bayou that narrows as the drouth progresses; the absence of moisture in dry and dusty soil in his hand. He stands in the rain after a long dry spell, not caring that it soaks his clothes. He walks in his fields that are too wet for plowing and feels rich. And then when weeds start growing and the muddy middles remain, he is beset with the same kind of anxiety that possessed him before the drouth ended.

Dominated as his life is by the elements, it is easy for the farmer to believe that all of the answers to his problems lie directly around him—in the mud at his feet, in the stars at his fingertips. It is difficult for him to accept the idea that he is hemmed in by a system of economic and political power, that he is no longer a free plainsman of endless earth and sky.

He is fenced in. His problems are *because* of the economic and political fences around him, not *in spite of them*.

Farmers are not blind. They know as well as anyone that America has a promise to all of its people—a promise of security and abundance and hope. The promise doesn't even have to be stated. We accept it as a part of our citizenship. Politicians and political parties are forever re-affirming it. But farmers know that the promise is not being kept.

In late July and August, 1968, both major political parties were writing platforms. They faced difficulties. It is not easy to write a platform to fill the

78 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

needs of both the sharecropper and the plantation owner—the exploited and the exploiter.

Tony T. Dechant, the President of the National Farmers Union, told the Republican Platform Committee at Miami Beach, Florida on July 31: "Too many farmers feel let down by both political parties. Unfortunately, both parties have carried party platforms which have been filled with platitudes saying that they are going to aid the family farmer. We hope that this year this platform committee will write some meaningful planks which will spell out a positive program of what this Nation should do to end the long drouth in the farm economy which has brought millions of proud farm families to their knees."

Agriculture, behind economic and political fences, is systematically denied the benefits others receive. Nowhere is this more obvious than in the field of legislation.

Senator Walter F. Mondale (D-Minn.) told a group of Farmers Union women in Washington in May, 1968: "The farm economy is one of the few areas that has to depend on legislation that was passed the year before. Other segments of the economy get permanent legislation, and then come back to improve. But not farmers."

Legislation is on the books guaranteeing the right of steelworkers and automobile makers and every other kind of wage-earning working man the right to bargain collectively. And millions come back year after year to negotiate improvements. But not farmers. Annual increases in income are an accepted part of the American system—except for farmers, whose parity ratio of income and expenses in mid-1968 was at 73 percent.

It is not just the politicians who perpetuate this discriminatory system. Our very system of "free press" shapes the attitudes of politicians and voters alike. Farmers themselves are not immune to the enormous pressures of public opinion that are molded by the media. Few farmers in California know of the corporate farming interests of the publishers of at least two of the most important newspapers in the state—the *Los Angeles Examiner* and the *San Francisco Chronicle*. Nor do they know how often the corporate farming issue has been kept from the readers of those newspapers.

Economic and political domination of the society by corporate America generates enormous favors for the corporate beneficiaries.

There is one tie that binds us all to our government—taxes. We may not vote. We may not avail ourselves of police protection. Even our social security may not be necessary. But all of us pay taxes.

It seems to be a carefully guarded secret as far as our great opinion-

IT'S A MATTER OF POLITICS

79

molding mass media are concerned that the rich do not pay their share of the taxes. Even the super-respectable *New York Times* speaks derisively of "The Rich and Super Rich," a book that states this case in incredible detail.

The history of tax legislation in this country has been a history of the systematic exploitation of those who could least afford to be exploited. Poor people get tax write-offs (such as deductions of \$600 each for dependents, interest payment deductions, etc.) that amount to peanuts, while the corporations and the rich take tax write-offs in the millions. In 1959, five persons with incomes of more than \$5 million paid no taxes at all. In 1960, six persons reported a combined income of \$35.7 million and they paid taxes of only \$371,000—a little more than one percent!

They do not always seek favoritism directly, by reducing the tax rate. Sometimes they go at it indirectly by legislating the meaning of the term—profits.

In 1954 and again in 1962, the government speeded up depreciation allowances. Since depreciation of equipment is a cost of doing business, and deductible before taxes, this means that "profits"—as far as taxes are concerned—were legislated downward.

Then, in 1962, the government provided a 7-percent tax credit for business investment on new equipment. In October, 1966, it was removed, and then restored in March, 1967. In 1964, proceeding directly, the corporate tax rate was reduced 7.7 percent.

After a corporation pays its taxes and subtracts allowances for depreciation, the rest of its money is available to spend or pay out in dividends. In the period from 1960 to 1967, corporations had \$421.6 billion left over after payments to stockholders. They put \$365.8 billion in new plant and equipment. This left \$55.8 billion for other purposes. There was then tremendous pressure on them to put this money to useful work. Is it any wonder they looked so greedily at the agricultural establishment, weakened as it is, needing the cash so desperately?

Small farmers have been fooled into believing that the tax system is very kind to them. When they build a pond, or terrace a field, for example, they can deduct the cost from their taxable income. What they fail to realize is that their wealthy neighbors get a much greater tax subsidy for the very same improvement.

Suppose a farmer with \$20,000 gross taxable income builds a \$10,000 pond. If his income tax bracket is 30 percent, he has received a \$3,000 subsidy on the pond. But if his gross taxable income is \$100,000, and his tax bracket is 70 percent, he has received a \$7,000 subsidy on that \$10,000 pond.

80 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Such is the deception inherent in our tax system.

The corporation that decides to diversify its operations into farming can write off its losses against its profits in other businesses, thus transferring much of the cost of going into business to the government (i.e., other taxpayers).

In 1965, 119 Americans with farming interests had incomes of \$1,000,000 or more; 103 of them had losses on their farming. In that year, 202 Americans with farming interests had incomes between \$500,000 and \$1,000,000; 170 of them had losses on their farming.

In the 100 largest cities of America, corporations or individuals showed net losses in farming in 31 of them during 1965. The total loss was \$141,551,000, according to the Internal Revenue Service. More than half of this occurred in the Dallas-Fort Worth, Houston, and Los Angeles areas.

Assuming that these losses were written off against profits in other businesses at a tax rate of—say 30 percent (and corporate taxpayers often pay at no higher rate)—then these ventures in farming resulted in nearly \$50 million not being paid in taxes in that year alone. To put it another way, these farming ventures were paid for out of the public treasury to the tune of \$45 to \$50 million.

An important question is: Should the taxpayers be asked to make this investment at a time when we already have over-production in agriculture?

The fact is that our tax laws don't bother to be consistent. Some sense can be made of the depreciation allowance and the extra tax credits on new equipment—although they give the most benefits to the corporations who need such benefits least. Wealthy individuals and wealthy corporations use the purchase of new equipment as a systematic way of avoiding taxes. Still, it can be argued—if you accept the notion that people invest money in order to avoid paying taxes—that rapid depreciation allowances and extra tax credits on new equipment encourage new investment.

But few clearer examples of proof could be found that this sort of logic is only incidental and not a part of the tax system's purposes than in the oil depletion allowance.

Philip M. Stern of "The Great Treasury Raid" estimated that the oil depletion allowance costs the government \$1½ billion a year. He asks the question: "When we are deliberately holding out foreign oil and holding Texas oil wells to 30 percent of capacity, do we really need to spend \$1½ billion a year to encourage finding more?"

There is an interesting coincidence in the enormous cost of these oil subsidies and the tremendous tax losses in such oil-rich cities as Dallas and Fort

IT'S A MATTER OF POLITICS

81

Worth and Houston.

With the tax advantages they have, and with the congenital greed of the corporations, you might expect that they could be generous with the American farmer.

But they do business with each other.

The cooperation and the interlocking relationships of the giant corporations were illustrated when the newspapers carried a story telling of the Gates Rubber Company loading a 90-car train of feeder cattle from its A-Bar-A and State Line ranches in Wyoming on September 28 and 29, 1964—for shipment to the Kern County Land Company's Gosford Feedlot on the outskirts of Bakersfield, California.

(And don't overlook the tie between Kern and Safeway. Ernest C. Arbuckle of the Kern board was also a member of the Safeway board.)

They deal in terms that are incomprehensible to most farmers. There are hundreds of examples, but let us look at only one, selected because information on it is available in considerably more detail than in most cases.

400,000 Shares for Sale

The Arizona-Colorado Land & Cattle Company issued a preliminary prospectus on June 12, 1968, offering 400,000 shares of common stock for sale. According to the prospectus, the company intends to improve and expand its cattle feeding operations at the Queen Creek Feedlot. Immediately, however, it plans to reduce its bank indebtedness—some of the \$5,972,625 in short-term notes at 7½ percent interest, or perhaps some of its 5-6 percent long-term notes due from 1968 to 1996. Included in the prospectus is a map showing locations of its operations over a five-state area that includes Arizona (where the Queen Creek Feedlot is located), New Mexico, Nevada, Utah and Colorado. It owns or leases 1,220,472 acres. The company owns the Alamosa National Bank at Alamosa, Colorado, which is 35 miles north of the company's 163,960-acre Baca Grant Ranch. Other operations include: Box T Ranch, 144,175 acres in South Central Colorado; Gamble Ranch, 554,337 acres in Northeast Nevada, with some acreage across the border in Utah; Grounds Ranch, 114,447 acres in Western Arizona; Douglas Ranch, 111,678 acres in South Central Arizona; Butler Ranch, 83,000 acres in Southeast Colorado; and Mays Ranch, 48,875 acres in Central Colorado. Douglas, Butler and Mays ranches are all leased. On April 30, 1968, the company had 28,722 head of cattle, including breeding herds of 5,859 cows and 445 bulls.

The chairman of the board of directors is Dan W. Lufkin, who is

82 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

principally occupied, the prospectus says, as chairman of the board of Donaldson, Lufkin & Jenrette, Inc., a New York investment banking firm.

Most of the outstanding stock of Arizona-Colorado Land & Cattle Company is owned by Pioneer Lands Corporation, 1 Wall Street, New York, N. Y., of which Lufkin is also chairman of the board.

Lufkin, relatively young for an executive of his stature, was born in New York City in 1931 and graduated from Yale University in 1953; from the Harvard Graduate School of Business Administration in 1957. In addition to his duties with Arizona-Colorado Land & Cattle Company, Pioneer Lands and Donaldson, Lufkin & Jenrette, Inc., he is a director in Lippincott & Margolies and Overseas National Airways, Inc. He is a member of the Pine Manor Junior College board of trustees.

Acquisition of control of Arizona-Colorado by its present stockholder and management group occurred on March 8, 1965, the prospectus says. This occurred with the sale of 46,147 shares of common stock to Pioneer Lands and other present directors of the company at \$1.30 a share. This would total \$59,991.10.

Among the most important acquisitions in this purchase was a *retained earnings deficit* of \$7,040,597, as of January 1 that year. Earnings seemed to rise sharply that year, however. Just before the year's business was totaled up, Pioneer Lands bought another 54,937 shares at \$4.55 a share. More shares went to Pioneer Lands on February 17, 1966 (43,510 shares) and again on May 31, 1967 (76,911 shares). During this period, another 30,216 shares were sold to other directors of the company.

The retained earnings deficit has been reduced to \$1,342,425. Presumably, although the company has earned profits of \$4,944,195 since the new group gained control, no income tax has been paid. A net loss shows on the books for the first four months of 1968 of \$228,023, although, as the prospectus notes, this doesn't show anything because cattle sales ordinarily occur in the last half of the year.

Net earnings are reduced each year by provisions in the tax laws that permit the company to depreciate improvements to the ranch properties at rates of 5 to 10 percent a year; equipment, 3.3 to 33.3 percent a year; and feedlot, mill properties and equipment at rates of 6.67 to 33.3 percent a year. "Major renewals and betterments are capitalized," the prospectus explains. "When property is retired or sold, the related cost and accumulated depreciation accounts are reduced by the appropriate amounts and the resulting gain or loss, if any, is recorded in operations."

Arizona-Colorado Land & Cattle Company gets us coming and going—

IT'S A MATTER OF POLITICS

83

depreciation, capitalization of improvements, and no taxes.

Few areas of rural America are not being touched by the corporate invasion.

Berge Bulbulian greets you in the curved drive in front of his low, earth-hugging ranch-style home near Sanger in the San Joaquin Valley. He is a thin, handsome man with skin the color of a rusty plow, a mind as sharp as the plowpoint. His eyes are friendly and quick. His gracious wife comes around the other end of the house that is surrounded by vineyards and orchards.

Inside the home, before the Burmese plums are placed in a bowl on the coffee table, three lovely dark-eyed, teen-age daughters line up for introductions, then disappear into the other end of the house.

Bulbulian, an Armenian, was born in Mexico during the years when his mother could not get into California to join her husband. His wife is an immigrant from France.

They talk seriously of the problems of agriculture. "I can compete against the corporation farm," he said, "because I can produce more efficiently. But I can't compete against the man who is willing to sell at a loss.

"One thing though that the corporation farm is very efficient at is capturing government subsidies," he continued.

A machine has been developed that will harvest the Thompson seedless grapes that he grows. It is an "impacter," and the new grape vines that the Bulbulians are setting out are being put under trellises that have a wire strung between them on which the vines grow. The machine shakes the wire, and the grapes fall onto the harvester. The machine isn't perfect yet, "but it will be," he said.

LeRoy Chatfield works for the United Farm Workers Organizing Committee. He is a tall, poker-thin, former school teacher. He is concerned about a mimeographed sheet of paper being distributed at the Delano City Hall that cautions parents against letting babies under six months of age drink the city water. "Our baby is over six months old now," he said. "We wonder just when it becomes safe for him to drink the water. Is six months a magic age? Seven months?"

The information sheet says that the water has too much nitrates in it. These may come, the warning says, from continuous heavy applications of fertilizer in the area. It quotes Frank Hornkohl, technical director of Hornkohl Laboratories, Inc.: "I feel definitely that the source of the nitrates is due to the ammonia gas being used for fertilizer . . ."

Corporations, with their impersonal demands for profits, often are at odds with human values.

84 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Aboard an airplane leaving California, they serve you a product for your coffee, with the name of a nationally known milk company on the small waxed paper container. But the fine print says that it is: "Instant non-dairy product for Coffee." And even finer print gives the ingredients: "Vegetable fat, malt-dextrose, lactose, sodium caseinate solids, sodium phosphates, calcium phosphate, emulsifier, artificial flavor and color." The net weight is three grams.

What is not stated is that the sodium caseinate was bought abroad from a supplier who has no sanitary standards whatever because much of his production of sodium caseinate goes to paint manufacturers. Most of the people who put this product into their coffee do not know this; nor do they know that it is one of the competitive forces with which the dairy farmers of the Nation are faced.

Are these things unrelated? *Not at all.*

In Western Kansas, the land stretches to the horizon and drops away with the curvature of the earth. Tony Dechant, the President of the National Farmers Union, tells of his boyhood: "We hunted pheasants and we avoided the Garvey Farms. (Willard Garvey has 175,000 acres in Colorado. There are three Garvey operations—mostly in Kansas). We avoided the Garvey farms because there was no cover for the pheasants. Every border was cleaned, farmed right up to the fence."

Listen to the comment of Ray Christiansen of Omaha, a television producer: "I was tramping through the woods on a vacation in South Dakota where my wife comes from. I came on a sign that said—'You are a guest of Homestake Mining Company.' And all the time I had been thinking I was the guest of God!"

Publisher Rodney Hawes of *The Owyhee* (Id.) *Nuggett* told a Farmers Home Administration meeting on August 10, 1967 at the College of Idaho: "Days of the open range for cattle and sheep are becoming limited in the west, and soon the cattle and sheep raised on irrigated pasture will be needed to feed the population."

He spoke regretfully of the potential buying power of the many farm families who are now gone. And he added:

"I know of one corporation in Idaho that has purchased many ranches and now has one ranch about 75 miles square. Visitors are not welcome. You can't fish, hunt, or pick up a rock. Long established roads have been closed by fences. This is what will happen throughout the West if we allow big corporations and big business to take over our land without thought of the future."

IT'S A MATTER OF POLITICS

85

The corporate pressures on American agriculture depersonalize rural America.

The invasion has the active complicity of the political establishment.

Three corporations—Amerine National Corporation, Amerine Turkey Breeding Farms, Inc. and Amerine-Air—are now doing business at the Hastings Air Base at Hastings, Nebraska.

The *Omaha World Herald* quoted Reagan Amerine on April 12, 1968 as saying that Hastings was "ideally located" for air delivery of turkeys, just outside the mainstream of turkey production in the United States and, therefore removed from diseases.

Business of the Amerine operations is pedigree and foundation turkey breeding, commercial reproduction of turkeys, turkey growing, turkey processing, specialized air transportation of poults, feed milling and beef cattle raising. Turkeys are grown in the controlled environment of abandoned ammunition bunkers. The companies own five multi-engined airplanes that carry 40,000 birds at a time.

On October 20, 1967, the *Omaha World Herald* reported that Hastings Mayor Herbert Hodge presented the General Services Administration of the United States Government a check for \$1,077,000 for a 4,496-acre tract of the 10,000-acre complex, and sold it a moment later to four companies representing some 25 industries. The transaction occurred just before a law passed by the Nebraska Legislature went into effect that would have denied the city the right to acquire land for agricultural purposes.

Nebraska farmers thus lost a battle to the corporations.

The impersonal pressures for profits force the corporations into impersonal—even anti-personal—courses of action. And thus, there is inevitably exploitation of workers that is unbelievably brutal . . . as in the Rio Grande Valley, the San Joaquin Valley, the vegetable fields of New Jersey, and the sugar beet fields of Colorado.

Thanks to Gates Rubber Company, the people of Yuma County, Colorado, have a new problem to deal with—a migrant labor camp. Gates rolled in colonies of house trailers, removed the bathrooms from them, set around communal toilets and showers, and moved in the migrant workers. The Federal Government is subsidizing the operation, mercifully, by establishing an education program for the children. Although the presence of this social phenomenon that is new to the area may be described best as a "problem," there may be a good side. A few sons and daughters of middleclass citizens are working in the program, getting a broader understanding of the many facets of America.

But, of course, ultimately we must recognize that although the new force that is at work makes new problems in rural America, it is likely that it contributes immeasurably more to the problems inside our cities. This fact caused President Johnson to remark in Washington late in July, 1968, when unrest was making life hazardous and violating the sanctity of private property in the cities, that a future historian may find America's greatest domestic failure was the lack of national attention to the mass desertion of rural areas for the cities in the 1950s.

"We would be a better nation today," the President said, "if we had faced the rural crisis in the 1950s." Now, he said, the nation must face an urban as well as a rural crisis.

"... In the 1950s," Johnson said, "millions of Americans pulled up stakes and left the country, especially the South and Appalachia. The wave of migration struck our cities and found them unprepared to provide the housing, the education, the welfare, and social services that a decent life required."

He said this massive migration in turn pushed the city dweller to the suburbs, producing suburban sprawl and "a whole new set of problems."

Corporate America is creating a wasteland of the rural areas—depleting social institutions and destroying the physical resources. The one product they are creating is problems.

We are led to an inescapable conclusion: There must be public control of the rate at which private corporations manufacture problems for the society.

In the many-faceted "gem" of America, you come back to the same core, to a central idea. America is of one body . . . diverse, restless, aggressive, impatient, and ambitious. American agriculture grows in the same soil that nurtures urban America. That soil is the American political system. If we are to change the product, we must alter the balance of organic matter, and the major and minor elements. We cannot do it by attending only to the fence posts at the edge of the field, or the pond at the corner. But the soil itself.

What we are talking about if we are going to stop the corporate invasion is politics.

Politics is the process of the control of our society. Among its purposes is to protect the weak from the strong, and the innocent from the predators. It is the process in which the will of the people is felt at the centers of power. None of us escapes its influence. None of us should let it escape *our* influence.

CHAPTER VIII

WHAT CAN BE DONE?

The corporate invader, then, is among us. Small towns and rural communities will be laid waste, as by pestilence. Markets will be destroyed. Land will be bought away from us. In short, rural America will be depersonalized, altered, and depleted.

The first question we must ask ourselves is: Do we have the will to do anything about it?

If we have the will, we can develop the way to resist the invader. No one can tell us, nor can any of us tell what our course should be. It must come from our own movement. It must grow out of our combined instinct for survival and our own judgments about the needs of rural America. Rural America must guide its own destiny. Only rural America knows its problems and can develop its solutions. It must exercise its group wisdom and strength.

It can be invincible.

The corporate invader has only recently entered the countryside in force.

Corporate America derives power from segments of the economy that are protected and subsidized and favored politically. With undistributed profits running at the rate of about \$28 billion a year, the resources of corporate America defy the imagination. It is from these resources that it fuels the engines of invasion.

It is aided by a fifth column, already in rural America, that tells its neighbors there is really nothing to fear. Partners in the new corporate power structure are persuaded into service. They include members of organizations, varying from civic clubs, chambers of commerce, some of the leaders of farm organizations, professional groups and, above all, the mass media. They are, for the most part, unwitting tools of their masters. They do not mean to harm rural America. Hardly a single one of them would admit to himself, and certainly not to his neighbors, that he bears malice against the welfare of rural America. This makes him more dangerous, of course.

The intellectual front of this partnership against rural America abides in the land grant universities. Academic economists too often divert the attention of rural America from real issues. They discuss "efficiency" instead of "market

power," "progress" instead of "stability," and "alternative enterprises" instead of "agricultural resources."

Many professors have grants from corporations. They are not free agents. And they prostitute themselves again and again for more research grants.

But the basic weapon for the demoralization of rural America is the mass media. They acclimate us to the winds of destruction and depopulation, familiarize us with withering institutions and migration, habituate us to our condition of second-class citizenship, and addict us to the opiate of the inevitability of change and dislocation.

The media has introduced the language of the invader to rural America. We now accept and speak this language. It includes such terms as "tax free municipals," "oil depletion allowance," "conglomerate corporations," and "tax write-offs." These new phrases are made acceptable by their frequent and sympathetic use.

Can rural America be saved?

Only if we organize ourselves to defeat this unprecedented domination of our lives, this diversion, this depressant that deactivates us from pre-dawn radio to midnight television.

Let us begin by examining our resources. They are enormous. The strengths of rural America, so lauded throughout our history, will prove to have been underestimated.

But no one can tell rural America how to defend itself. It must decide for itself. But, as this is written, the defense would seem to consist, at least in part, of the following:

We must inform ourselves, our wives, and our children.

Let us educate America, instilling a sense of urgency in the rural areas, as well as in the urban sectors.

The importance of the organizing effort cannot be overstated. Information and organization are the vital first steps in the process. There must be renewed effort to tighten the communications network.

The myth that women cannot be effective in politics was long ago laid to rest. Women are now more than half the voters. Neither should we overlook the resource of our elderly people. They proved themselves in the campaign for Medicare.

A new fact is emerging that has not yet been fully assessed. This is the energy, intelligence, idealism, and effectiveness of young people.

No group has been quicker to see that the institutional values of the corporate society are inconsistent with the wellbeing of people. It has caused them to protest, march, picket, and join political campaigns in unprecedented

WHAT CAN BE DONE?

89

numbers.

Farmers Union young people have traditionally been quick to see through to the core of the problems of rural America. Efforts should be made to assist farm youth in organized study of the problem. Isn't the prospect of a coalition with the young generation better than alienation?

Study and action should begin in local communities. A survey of ownership of farms in the county would be a good start. Equally important, a survey of the loss of farms in the area during the last five years should be revealing, with such information as the age of farmers, number of young people who have gone into farming during the same period, farmers and wives working off farms to supplement income, and migration of high school graduates from the community. The resulting loss of jobs and businesses in the community can also be calculated. Studies in several states have shown that one business in town is closed down for every six farms lost in the community; and each farmer lost means one less job in town.

Other studies should include state legislation pending or laws on the books that relate to corporation farming. Tax laws are especially important.

After study, your group should launch a program to tell others what has been learned. This program might include skits for churches and civic groups, window displays, panel discussions, and a speakers' bureau. Stories can go into local newspapers. Radio and television news departments can be asked to cover the subject. Letters to editors should be written.

Ask radio and television stations for free time in which Farmers Union members might appear to discuss the subject. Debates may be arranged. Students can write term papers or reports on the subject.

Ask civic organizations, service clubs, auxiliaries, churches, parent-teacher associations, youth groups, and farm groups to invite speakers on the subject.

Plan a farmer-businessman dinner. A county group could set up a tour of several farms. Include among guests state legislators, Congressmen and Senators.

Write letters to Congressmen and Senators. When the time is right, circulate petitions calling for action. Floats in parades and booths at county fairs should be arranged, with printed material for distribution. Ask your Farmers Union representative for help.

Plan a "Ladies Day" or a "Three Generations Day" (with the elderly, the middle-age group and the youngsters) with local co-ops and REAs where the story can be told.

Plan a trip to the state legislature. Meet with all candidates, even local county offices, and ask for commitments on this issue. Ask questions at

90 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

political or other public meetings.

These kinds of activities are a necessary part of the campaign. As a result of study and discussion, the organization will be growing in strength, developing its knowledge, and sharpening its point of view so that when political action is needed, you will be ready.

Remember, no one can tell you what to do. You must decide for yourselves. As your movement develops, you will know.

We must develop our alliances—with organizations and people in small towns, with church leaders, with cooperatives and REAs, with working people, and other sympathetic groups.

We cannot win alone. We have natural allies. Among these are the small towns and institutions of rural communities throughout America. All are suffering at the hands of the invader.

Churches are important in this campaign. A moral issue is involved. Hardly a church exists that has not been losing members. People are moving away—physically and spiritually. Churches and the commitment to morality are never as strong in the corporation-dominated community as in the community dominated by independent farm families, small businesses and working people. Corporations have little or no moral commitment. Profits at any cost too often dominate their motives. Pastors and lay leaders will be quick to agree with you on this.

No one is harder hit by the corporate invasion than the small town businessman. Declining population and the tendency of the new corporate neighbor to buy wholesale or direct from the manufacturer has not escaped the notice of the farm implement dealer, the appliance dealer, nor the grocery store and drug store. Automobile dealers would rather sell six Chevrolets than one Cadillac.

Members of labor unions will identify with the struggle against corporate America. Remember that they have been bargaining collectively with the corporation under their union contracts. They have a unique understanding of corporate power. They know of the contest that is necessary to get pay increases, vacations, fringe benefits and, sometimes, just decent treatment on the job.

They are familiar with the pattern of exploitation of employees that is characteristic of the big corporations in California, the Rio Grande Valley, New Jersey, and elsewhere. They will join in any campaign to limit the power of the corporations.

Union members are also interested as consumers. They will see readily that exorbitant prices in the grocery store are not the fault of farmers, but

WHAT CAN BE DONE?

91

the fault of the inordinate power that exists in the market place on the part of processors and distributors who deal with the farmer—who must sell; and the consumer—who must buy.

Contacts and coalition with consumer groups at the local level should be encouraged. Consumers are losing to the unholy alliance between the super-market corporations, the giant feed companies, and the corporation farms.

Remember, in developing alliances, we must not only seek to join them but, in many instances, we must help them strengthen their own organizations.

We must, through social and legislative action, attempt to diminish corporate America's sources of supply that are fed by the discriminatory tax system and the creation of trust and monopoly concentrations.

This is the beginning of the action program.

It cannot occur until the vital first steps are well along. Only after we have organized ourselves and developed our alliances, will we be strong enough to take action.

Tax reform should have high priority. Our battle cry should be: *Everyone should pay his fair share of taxes.*

There must be vigorous enforcement—and perhaps extension—of our anti-trust and anti-monopoly laws.

In states, and even at the national level, we might seek to pass laws that limit the rights of conglomerate corporations to acquire land. Such laws are now in force in Oklahoma, North Dakota, Minnesota and Kansas.

The state laws restricting corporation farming are similar. Only one state, Oklahoma, has the restriction in its constitution. The Oklahoma law simply makes it illegal for a corporation to acquire farm land, except in connection with indebtedness. In that event, the corporation has seven years to get rid of the land.

The law is now being tested before the Oklahoma Supreme Court.

The road is seldom smooth for laws that limit corporations in farming, or anything else, of course.

Kansas and Minnesota have statutes that limit corporations to farming operations under 5,000 acres. Under a 1932 law, North Dakota prohibits corporation farming. Cooperative corporations may own farm land and carry on agricultural production provided seventy-five percent of the stockholders are actual farmers residing on farms or depending principally on farming for their livelihood.

Major attempts to repeal the Kansas and North Dakota laws have occurred recently. In Kansas, the repeal attempt was killed in a legislative committee. The 1967 North Dakota legislature, over the governor's veto, virtually repealed the 1932 law. The repeal has been submitted to the people in a referendum to be voted on in November 1968. North Dakota Farmers Union has put on a strong fight for maintaining the 1932 anti-corporation farming law. There was in the summer

92 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

cause for optimism. Public opinion seemed to be running strongly against repeal of the law.

Efforts should be made in every state to pass laws restricting corporations in farming. Even if the possibility of success seems remote, it might still be worth the effort as part of the program to polarize grassroots opinion.

Legislation and enforcement at the Federal level is impossible unless there is a real groundswell of opinion from the states. Opinion does not ordinarily develop of its own volition.

If the corporate invasion is to be stopped, we must help enlist public opinion on our side. It is an uneven struggle. It is likely that at least two-thirds of the people must be united in order to match the enormous power of the corporations.

Let us talk in practical terms about tax reform.

In Washington, three office buildings line Constitution Avenue directly south of the Capitol, housing the offices of 435 Congressmen. The center building is the Longworth House Office Building. Inside, the first office on the right—indeed in the corner of the building—belongs to the Chairman of the House Ways and Means Committee, Wilbur Mills of Kensett, Arkansas. In the opposite corner of the office building, also in a favored location, is the Committee office. In the very center of the building is the largest hearing room on Capitol Hill—that of the House Ways and Means Committee. The Committee has another private meeting room, appropriately situated just 15 steps from the floor of the House of Representatives in the Capitol itself.

Although it is hardly necessary, architectural proof is ample to show that this Committee is the most important in Washington. The press is virtually unanimous in its opinion that its chairman is the most important man on the Hill.

He is a man of medium height, who dresses conservatively and well, with a ruddy face that suggests a collar that is a little too tight. The voice that comes out of the body has such a resonance that even at low volume it echoes slightly in the high-ceilinged offices characteristic of Capitol Hill. He is considered the shrewdest and most brilliant tactician in Washington.

When the Revenue and Expenditures Control Act of 1968 was before the House of Representatives on June 20, 1968, Chairman Mills did relatively little talking. He had, as usual, done most of his talking before that day, in the Committee and in the cloakroom, and elsewhere.

He did, however, address his colleagues rather briefly and, in contrast to the usual situation on the floor of the House, a quiet spread across the chamber as fellow Congressmen listened. One point of view emerged force-

WHAT CAN BE DONE?

93

fully as he talked. Chairman Mills believes that the right of the House Ways and Means Committee to originate and develop tax legislation is inviolate, and he, therefore, resists suggestions for hasty or abrupt changes.

There was a good deal of discussion that day about tax reform, much of it from opponents of the proposed tax surcharge and the \$6 billion cut in Federal spending. Some said such drastic action by the government wouldn't be necessary if some of the tax loopholes were closed.

Congressman Lester L. Wolff (D-N.Y.) said that the most shocking failure of Congress was in failing to stop the oil depletion allowance. He said that Standard Oil of New Jersey in 1966 paid \$116,000,000 in taxes on a net income of \$1,830,944,000—a tax rate of 6.3 percent. Texaco, he reported, paid taxes of \$32,500,000 on a net income of \$845,466,000—a tax rate of 3.8 percent.

Can America afford this?

The House Ways and Means Committee has broad jurisdiction, the broadest, in fact, of any committee on the Hill. All proposals in the field of taxation—income, excises, gift and estate taxes—must originate in this Committee. All proposals in the field of social security, including old-age and survivors and disability insurance, Medicare, and also the very broad system of welfare grants-in-aid to the states, such as old-age assistance and aid to the blind, must come from this Committee.

All proposals in the field of foreign trade and tariffs, and collection of customs duties, come from this Committee. In addition, a variety of vital activities such as the national debt, the highway revenue program, and renegotiation of defense contracts are the business of this Committee.

Of tremendous importance is the fact that nearly every bill reported out of the House Ways and Means Committee is on a "closed rule." This means there can be no amendments on the floor of the House of Representatives. If the House is dissatisfied with a bill, it can only send it back to the Committee, thus enhancing even more the authority of the Committee. It is the only committee in Congress that has such a privilege.

Perhaps most important of all, it is the Committee on Committees of the House of Representatives. This means that it names the members of the other 19 standing committees in the House of Representatives.

Beyond all of this, the Committee handles thousands of personal relief bills relieving individual citizens of injustice of discrimination that may inadvertently result from legislation.

The power of the House Ways and Means Committee is almost beyond definition.

94 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

The Revenue and Expenditures Control Act of 1968 contained a directive that the President develop tax reform recommendations by the end of the year. 1969 was expected to be a good year for tax reform. In July, 1968, in fact, the Treasury Department announced that it would seek reforms to end the kind of favoritism that has resulted in so many of the very rich paying no taxes at all.

Senator Lee Metcalf (D-Mont.) introduced a bill dealing with one aspect of tax reform—ending the write-off of farm losses against profits in non-farm businesses.

But rural America would be cruelly deceived if it believed that the limited objectives of the Treasury Department and the Metcalf bill would be enough to restore a meaningful balance of economic and political power between rural and industrial America.

The tax system must be overhauled from top to bottom.

Crimes against the American public have been committed in the name of tax legislation.

Consider for a moment Section 1240 of the Internal Revenue Code. The legal language is followed by a translation. It reads:

"Amounts received from the assignment or release by an employee, after more than 20 years employment, of all his rights to receive, after termination of his employment and for a period of not less than five years (or for a period ending with his death), a percentage of future profits or receipts of his employer shall be considered an amount received from the sale or exchange of a capital asset held for more than six months if—(1) such rights were included in the terms of the employment of such employee for not less than 12 years, (2) such rights were included in the terms of the employment of such employee before the date of enactment of this title, and (3) the total of the amounts received for such assignment or release is received in one taxable year and after the termination of such employment."

Confused? It is almost as though confusion was the intent of the passage.

Philip M. Stern in "The Great Treasury Raid" interprets:

"If you've worked 20 years for one company . . . and if you have rights to future profits of the company for at least five years after you leave its employ . . . and if you sell those rights . . . the proceeds are taxed at the special 25 percent capital gains rate . . . provided you've had those rights at least 12 years before you stop work . . . and provided those rights were in your contract before August 16, 1954 . . . and provided you sell your rights after you leave and all in a single year."

This unusual feature of the Internal Revenue Code saved one man—and

WHAT CAN BE DONE?

95

one man only—Louis B. Mayer of Hollywood, California, the movie magnate, \$2 million in taxes, according to Stern's estimate. That means it cost other taxpayers that amount.

Tax reform is not a new subject. Plato observed nearly four centuries before the birth of Christ that the "just man" pays more taxes and the "unjust" pays less.

James C. Carter, an attorney, arguing before the U. S. Supreme Court in 1895 observed: "One class struggles to throw the burden off its own shoulders. If they succeed, of course, it must fall upon others. They also, in their turn, labor to get rid of it, and finally the load falls upon those who will not, or cannot, make a successful effort for relief . . . This is, in general, a one-sided struggle, in which the rich only engage, and in which the poor always go to the wall."

It is not a new thought to the House Ways and Means Committee, of course. Its Chairman, Mills, said in 1958: "We can no longer afford to defer serious, large-scale efforts to revise our federal tax system." He called the tax code a "house of horrors."

But large-scale reform has been deferred. It was attempted in 1963, but failed.

It is a part of the "conventional wisdom" that corporations receive tax breaks that individuals do not get. The question is: Should they? Is it in the public interest?

Perhaps . . . as long as they conduct themselves to aid the public interest, or at least in ways not inconsistent with the public interest. But now they have launched their invasion of rural America; the day is at hand when corporations must no longer be able to finance their campaigns out of the public treasury.

If this "house of horrors" is to be made habitable and serviceable to the Nation, the repairing and rebuilding can only be done through the House Ways and Means Committee. It consists of 25 members, including Chairman Mills—15 Democrats and 10 Republicans. Each member is of enormous importance. Their names should be household words in rural America.

In the summer of 1968, as farmers ponder the problem of tax reform, they must also ponder the attitudes of these men.

Changes were in the making. Four Democrats were retiring from the Committee. They were: Cecil R. King of California; Frank M. Karsten of Missouri; A. S. Herlong, Jr. of Florida; and George M. Rhodes of Pennsylvania. Three of them might have been expected to support tax reform. One Republican, Congressman Thomas B. Curtis of Missouri, was running for the Senate.

In July, three of these retirees were replaced. The new members were: Congressman Omar Burleson, a conservative Democrat from Texas; Congressman William J. Green III of Pennsylvania; and Congressman James C. Corman of California. All are Democrats.

Congressman Burleson supported Farmers Union's position on legislation only three times out of 13 during the first session of the 90th Congress. However, those three pro-Farmers Union votes may be significant. Two of them dealt with appropriations for the Department of Agriculture, and the other was against reducing the Nation's debt limit. He appeared to be against cutting agricultural expenditures. It may follow that he would favor tax reform. However, on the negative side, it should be noted that he is from Texas, and few Texans have supported such basic tax reform as reducing the oil depletion allowance.

Both Congressmen Corman and Green have a nearly perfect voting record as far as Farmers Union is concerned. Congressman Corman comes from Los Angeles and Congressman Green comes from Philadelphia and both have had strong liberal-labor-urban support. They can be expected to support tax reform.

It is a matter of crucial importance that the other two retirees be replaced with Congressmen favorable to tax reform.

Let us look at the remaining members of the House Ways and Means Committee.

Congressman John D. Watts (D-Ky.) is a conservative Democrat from the bluegrass area of Central Kentucky where there are many burley tobacco farmers, Farm Bureau members, and also quite a number of absentee-owned horse farms.

Congressman Al Ullman (D-Ore.) has a liberal voting record, but he hasn't been as aggressive as in earlier years. He is said to derive a good deal of his liberal energy from Senator Wayne Morse. He has more than half of Oregon in his sparsely settled district where large timber and mining interests have enormous influence. Grassroots support for tax reform is desperately needed if his support is to continue.

Congressman James Burke (D-Mass.) is known as a regular Kennedy Democrat. He doesn't duck from a fight. Although he has few farmers in his area, he would probably be good on the corporation farm issue.

Congresswoman Martha Griffiths (D-Mich.) votes liberal but has not been identified as a vigorous fighter for any particular piece of legislation. It should not be forgotten that Michigan is also the home of such industrial giants as General Motors and Ford. And they think a lot about taxes. Some of her Michigan supporters do not believe she can be counted on for tax reform.

WHAT CAN BE DONE?

97

Congressman Daniel Rostenkowski (D-Ill.) is recognized as Chicago's Mayor Daley's spokesman in Washington. He is a persuasive, handsome representative of a heavily Polish area of Chicago, and would probably be good on the corporation farm issue. This would come from his years of participation in a working coalition of family farmers and city and union people; this, despite the fact that Chicago is the headquarters for many corporations that own farms.

Congressman Phil Landrum (D-Ga.) gained fame as an originator of the Landrum-Griffin Bill which became known as the Labor Reporting and Disclosure Act, and was widely condemned by organized labor. However, his service and votes have tended to grow more progressive. He was blocked from membership on the Rules Committee by Medicare forces. He gained his position on the Ways and Means Committee only after he decided to favor Medicare.

Congressman Charles A. Vanik (D-Ohio) is fighting an uphill battle for re-election. Riots in Cleveland, his home, have hurt his chances. If he succeeds, he will have a powerful position in Congress, as well as in Cleveland politics.

Congressman Richard Fulton (D-Tenn.) was elected after running on a "Medicare" platform with liberal-labor-urban backing. He represents Nashville and is a strong liberal. He is a bright and forceful fighter for the causes in which he believes.

Congressman Jacob Gilbert (D-N.Y.) is one of the best New York Congressmen, from the Bronx, and is a lawyer who formerly worked for the City of New York and then served in the state legislature. He has a very liberal voting record.

On the Republican side, Congressman John W. Byrnes (R-Wis.) comes from conservative Northeastern Wisconsin. He has an excellent reputation and is strongly entrenched with a safe majority. He is a quiet and forceful conservative.

Congressman James Utt (R-Calif.) has long been associated with the citrus industry in Orange County. He is very conservative and would be a good bet to lead any fight in behalf of the corporation farms.

Congressman Jackson E. Betts (R-Ohio) is former speaker of the Ohio House of Representatives. He is a lawyer, conservative, and has some rural areas in his district with a good many family farms.

Congressman Herman Schneebeli (R-Pa.) is a staunch rural conservative whose district is heavily populated with family farmers. He has usually lined up with the Farm Bureau, or Farmers Association, as it is called in Pennsylvania.

98 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Congressman Harold Collier (R-Ill.), of the suburban Chicago area, has important associations with its financial power structure. Many wealthy suburbanites in his district are in buying clubs to purchase farms in Illinois and Iowa. He can be expected to vote against tax reform and down the Farm Bureau line.

Congressman Joel Broyhill (R-Va.), from the Virginia bedroom area of Washington, D. C., has a reputation of being a hard-hitting independent conservative. He would be tough to win over for tax reform.

Congressman James Battin (R-Mont.) is a conservative who has resisted pressures from home to liberalize his voting record. He is very conservative and has had backing from some right wing groups.

Congressman Barber Conable (R-N.Y.) represents Rochester and adjacent areas. He is a lawyer and a conservative.

Congressman George Bush (R-Tex.) is an in-member of the Houston establishment. He is an attractive conservative Congressman who could be expected to fight on the barricades to retain the oil depletion allowance.

Democratic members of the House Ways and Means Committee are elected by the Democratic Caucus. The Caucus has only rarely rejected a candidate sponsored by the regional caucus of Democratic members.

On the Republican side, the members are selected by the Republican leadership through their Republican Steering Committee. No liberal or progressive Republican has been nominated to the House Ways and Means Committee in recent history.

The big corporations have strong lobbying forces in Washington. These forces include many former Congressmen and Cabinet members and subordinate officials. One large corporation has forty staff members on its Washington staff to work on legislative and governmental relations. The corporations have a great deal of money which can make life easy for a Congressman who helps, or even who does nothing against, business interests and tax loopholes.

Beyond the tax favoritism that fills the coffers of the corporations, political favoritism permits them to concentrate and enlarge their strength in violation of the Nation's anti-monopoly laws.

The Federal Trade Commission slaps their hands, when it should handcuff them. The Justice Department convicts them of "crimes" under the law, but no penalties are ordered. Government bureaus, such as the National Labor Relations Board, find them guilty of discrimination and intimidation which amounts to blackmail of their employees, yet cannot apply the same rule the criminal court administers in similar cases where individuals are involved.

WHAT CAN BE DONE?

99

We need old laws enforced in order to deal with the power and ruthlessness of corporate America, and we need some new laws, too.

It hardly needs to be said here, but a major goal of Farmers Union will continue to be maintaining and improving basic farm legislation embodied in the Agriculture Act of 1965.

It must be strengthened with such new sections as farm bargaining. Adequate funding must be sought for enforcement of its provisions.

We must not forget, however, that such legislation simply does not get the job done as long as farmers face the corporate invader.

We must, through cooperative action, challenge corporate America in the market places.

Only after we have organized, developed our alliances, and applied bonds of restraint to the corporate forces, can we take effective action directly against them.

This action may mean that we will have to boycott products that are manufactured by conglomerate corporations that are going into farming in competition with family farmers.

It may mean building new cooperatives. It may mean that co-ops and main street businessmen should not handle certain products such as Gates rubber V-belts and tires, Heinz soups, etc.

We are talking here about direct action against the corporations. Farmers are not afraid to fight. But self-preservation suggests they should try to fight battles that can be won.

There is much talk about farm bargaining, and there cannot be any question that this strikes at the heart of the problem. Farmers have made many efforts to bargain directly, even without the necessary legislative authority. The logic in many of these efforts is that farmers—like industrial and construction workers—can bargain by withholding the things they have to sell until the price is right.

There are several flaws in this logic. One, farm products are not the same as the products working people (hands and skills) have to sell. Two, the market for farm products is not the same as the market situation faced by a union member.

Before direct bargaining can succeed, the important pre-bargaining work we have discussed must be done. We must seek broad legislative authority to bargain. This legislation would be comparable to—recognizing the essential differences of agricultural products—the National Labor Relations Act that protects wage earners.

We must strengthen our forces and restrain the power of the corporation

100 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

through legislation.

When a farm product is ready for market, the farmer has an enormous "short-term investment" in it. The working man's only "investment" in his product is a long-term investment. He has received training, served an apprenticeship, or gained experience and seniority over a long period. No immediate pay-off beyond the welfare of himself and his family is necessary.

But the farmer has much greater pressure on him—generally from the bank or other lending institutions, as well as from the implement dealer and supplier.

Therefore, an essential part of the farmer's effort to control the conditions of sale of his products must be to enlarge his control over the market system through cooperatives. These cooperatives must include processing, and perhaps in some instances, distribution of products. They must at the very least provide alternative marketing routes. The only alternative for the farmer must not be to hold his product until it rots, spoils, or deteriorates.

The reason farmers must have "alternatives" in the market place is that the buying side of the market has alternatives. Pitting farmers—fragmented into thousands of units—against this kind of power is comparable to requiring "local unions" to bargain only with regional or national industries. The end of such "bargaining"—and it could hardly be called that—is inevitable. The local union loses.

The farmer should not confine his direct action against corporate America to the market system, of course. He must also exert pressure to have some control over the prices he pays. If he doesn't, corporate America will get what it loses in the marketing system by simply raising prices of the things the farmer buys. Remember, corporate America is one system, related by blood, common stock and interlocks.

New interest must develop in cooperatives for supplies and equipment. This, too, must provide *alternative* routes through which farmers can make purchases.

We have suggested some possible defenses against the corporate forces that are invading rural America.

Whatever those defenses are to be—or if they are to be—they must be erected by rural America.

Stated in military terms, what we have suggested is that we must organize our troops, cultivate our allies, weaken the enemy's sources of supply, and intercept his supply lines.

Are you, brothers and sisters, ready to save rural America?

BIBLIOGRAPHY

Chapter I

- FREEMAN, Orville L. *World Without Hunger*, New York, N. Y.: Frederick A. Praeger, Publishers, 1968.
- GALBRAITH, John Kenneth. *The New Industrial State*, Boston: Houghton Mifflin Co., 1967.
- HACKER, Andrew (Edited by). *The Corporation Take-over*, New York, N. Y.: Harper, 1964.
- HAMILTON, Walton, *The Politics of Industry*, New York, N. Y.: Alfred A. Knopf, 1957.
- HARRINGTON, Michael. *Toward A Democratic Left*, New York, N. Y.: MacMillan Company, 1968.
- JOHNSON, Lyndon, President. *Message to Congress*, January 30, 1967.
- Saturday Evening Post*, May 18, 1968.
- U. S. Department of Agriculture. *Farmers In a Changing World*, 1940 Yearbook, Washington: U. S. Government Printing Office.

Chapter II

- ASPELIN, Arnold and Gerald Engelman. *Packer Feeding of Cattle*, Packers & Stockyards Division, U. S. Department of Agriculture, Washington: U. S. Government Printing Office, 1966.
- Business Week*, August 26, 1967.
- Cervi's Rocky Mountain Journal*, Denver, Colo.: January 11, 1967, March 17, 1968, April 28, 1968, July 17, 1968.
- CREW, W. C. and John O'Dea. *Low Man On The Totem Pole*, Privately Published, 1962.
- Des Moines (Iowa) Register*, February 26, 1967.
- MAGOWAN, Robert A. *Chains and Change in Agribusiness*, Washington, D. C.: Foundation for American Agriculture.
- New York Times*, New York, N. Y., May 5, 1968, June 18, 1968.
- Report of the National Commission on Food Marketing, *Food From Farmer to Consumer*, Washington: U. S. Government Printing Office, 1966.
- St. Louis (Mo.) Post Dispatch*, March 6, 1968.

102 THE CORPORATE INVASION OF AMERICAN AGRICULTURE

Chapter III

- KRAENZEL, Carl Frederick, *The Great Plains in Transition*. Norman, Oklahoma: University of Oklahoma Press, 1955.
- MCDONALD, Angus. *The San Luis Reclamation Bill*. New Brunswick, N. J.: Rutgers University, 1966.
- Rocky Mountain News*, Denver, Colorado., September 28, 1967.
- The American West*, March, 1968 issue. Palo Alto, California: American West Publishing Company.
- U. S. Geological Survey. *Potential Ground Water Development in the Northern Part of the Colorado High Plains*, 1963.
- VOGT, William. *Road to Survival*. New York, N. Y.: William Sloan Associates.

Chapter IV

- Des Moines (Iowa) Register*, March 17, 1968, March 20, 1968.
- Report of the Special Committee to Study Problems of American Small Business, U. S. Senate, *Small Business and the Community. A Study in Central Valley of California on Effects of Scale of Farm Operations*. Washington: U. S. Government Printing Office, 1946.

Chapter V

- Charts by National Farmers Union, Washington, D. C. *Beef Price Break Costs Producers \$2,000,000*, 1964.
- Federal Trade Commission, Docket 7453, *Federal Trade Commission in the matter of National Tea Co.*

Chapter VI

- Feedstuffs*, Magazine of Agribusiness. Minneapolis, Minnesota, June 1, 1968.
- FREEMAN, Orville L. *World Without Hunger*. New York, N. Y.: Frederick A. Praeger, Publishers, 1968.
- HACKER, Andrew (Edited by). *The Corporation Take-Over*. New York, N. Y.: Harper, 1964.
- LUNDBERG, Ferdinand. *The Rich and the Super Rich*. New York, N. Y.: Lyle Stuart, Inc., 1968.
- PALMER, Lane. *Bargaining Power: How Much Can Farmers Get?* Speech to the Western Farmers Association, February 8, 1968, at Seattle, Washington.

BIBLIOGRAPHY

103

- Platte Valley (Neb.) Farmer Stockman*, July, 1968.
- Staff Report of the Subcommittee on Domestic Finance, House Committee on Banking and Currency. *Commercial Banks and Their Trust Activities: Emerging Influence on the American Economy*. Washington: U. S. Government Printing Office, July 8, 1968.
- Wallace's Farmer*, Des Moines, Iowa, February 24, 1968.
- Wall Street Journal*, New York, N. Y., August 9, 1967, June 27, 1968, July 11, 1968.

Chapter VII

- Congressional Record*, Washington, D. C., February 5, 1968 (S868).
- Omaha (Neb.) World-Herald*, October 20, 1967, April 12, 1968.
- Prospectus of Arizona-Colorado Land & Cattle Company*, New York, N. Y.: W. E. Hutton Co., June 12, 1968.
- STERN, Philip M. *The Great Treasury Raid*, New York, N. Y.: Random House.
- The Owyhee (Idaho) Nugget*, August 10, 1968.
- Washington Post*, Washington, D. C., July 7, 1968.

Chapter VIII

- Congressional Record*, Washington, D. C., June 20, 1968.
- STERN, Philip M. *The Great Treasury Raid*. New York, N. Y.: Random House.

• TP 450 USA

71-223 EP

QUESTIONS AND ANSWERS ON ENVIRONMENTAL
POLLUTION RELATED TO LIVESTOCK PRODUCTION

CONGRESSIONAL
RESEARCH SERVICE
LIBRARY
OF CONGRESS

Contents

	<u>page</u>
Introduction	1
Questions and Answers	
1. What is the magnitude of the animal waste problem?	3
2. What are the pollution implications of animal wastes?	6
3. How have changing production practices with respect to live-stock production contributed to the animal waste problem? ..	9
4. How do animal wastes and effluents from dairy operations impair the quality of our water supply?	11
5. What approaches can we take to solve the animal waste problem and other agricultural pollution of our water supply?	14
6. How does disposal of nitrogen components in animal manure present a management problem?	17
7. Why have lagoons for oxidation of animals waste not been completely successful?	17
8. How does airborne ammonia from cattle feedlots affect nearby lakes and rivers?	18
9. What about swine waste management?	19
10. What are the problems peculiar to poultry litter disposal? ...	20
11. What recommendations have been made to deal with the animal waste problem in the future?	21
12. How have Federal Government agencies contributed to minimizing pollution?	22
13. Is cattle manure a potential source of cattle feed?	27
14. Are there legal restraints on pollution from animal wastes? ..	28
Selected References	31

Introduction

Livestock and poultry wastes represent enormous tonnages and in recent years are increasingly being concentrated at central locations. Studies indicate that animal wastes amount to more than 1.7 billion tons annually, equivalent to human population of 2 billion. The concern is not with the droppings from grazing animals on pasture land but with feedlot production. For example, reports indicate that today's beef feedlots often have 10,000 to 50,000 animals, poultry operations may range up to 250,000 or more birds, milk-cow populations often exceed 200, and the swine on a single farm may total 1,500 or more.

The small diversified family farm is rapidly giving way to large-scale specialized operations. Economies of size tend to encourage livestock producers to enlarge their operations. Population growth continues to exert an upward influence on land value. Thus, many livestock operators feel compelled to carry more animals on less and less land.

The need for production efficiency has brought about substitution of housing for land and equipment for labor. The large capital investment requires a high animal density and rapid turnover in order to make the operation profitable.

Manure that once was naturally deposited on pastures now must be transported there by men and machines. Yet, two major factors deter livestock producers from routinely handling manure in this manner.

First, hog and cattle manures generally cost more to store, load and transport than they return in soil fertility--compared to the cost of commercial mineral fertilizers. In other words, narrow profit margins and high costs of operating livestock establishments will continue to

require low-cost methods of waste management. As a source of plant nutrients they are not now competitive with chemical fertilizers and, although beneficial as soil conditioners, crop yield increases are insufficient to justify transportation very far from the point of origin.

The second important factor which discourages livestock producers from putting more manure back on the land is that many operators of large cattle feedlots or hog confinement systems do not own or have access to sufficient land to dispose of manure at a rate considered to be acceptable to the land.

The separation of livestock feeding operations from feed production and breeding herds, particularly in the case of beef cattle, has made waste disposal directly to the land much less practicable. Furthermore, run-off from centralized lots is likely to cause stream pollution and odors may create an unpleasant situation in areas with non-farm residences nearby.

A few innovators are processing and retailing animal wastes as soil builders to the public. How much the market for such a product can be expanded is questionable.

Other approaches include tanks to trap the run-off and liquid wastes and a partial or total return of waste materials to the land, including the spread of liquids through irrigation. Properly treated, animal wastes have been demonstrated to be a beneficial source of feed for animals, poultry and even fish.

Some livestock producers are using lagooning as a method of manure disposal but this has not gained wide acceptance. Aside from aesthetics,

land is not always available or may be too porous, and there is often danger of contaminating water supplies. The biological oxygen demand is unusually high, and these wastes contain nutrients and pathogenic organisms.

Research is underway by the United States Department of Agriculture, Agricultural Research Service, the land-grant universities, the Federal Water Quality Administration and other organizations to develop low-cost but adequate control measures.

The waste problem is extremely complex, since each type of animal manure has its own particular characteristics and requirements for treatment. Waste management is influenced by the kind of feed used, climatic conditions, geology and topography, the kind of soil and hydrology, and local water quality standards to deal with problems of a specific area.

It would not be realistic to assume that a simple system of animal waste disposal could be developed to meet the requirements of all areas. It appears that the objective should be the development of a system to provide maximum protection to the environment at the lowest possible cost.

Questions and Answers

1. What is the magnitude of the animal waste problem?

Studies prepared by the United States Department of Agriculture and agricultural experiment stations indicate that approximately 1.7 billion tons of animal wastes are produced annually, about one-third of which is liquid. Litter, bedding, paunch manure, dead animals and birds also add to the growing problem. It is estimated that about one-half of this waste

may be attributed to concentrated livestock production systems. (1) For example, farmer feeders in 1968 had 99 percent of the cattle feedlots in the United States but produced 53 percent of the fed cattle. Commercial feedlots with capacities for 1,000 head or more had the other 1 percent of the feedlots and produced the remaining 47 percent of the fed cattle.

This vast quantity of animal waste production is equivalent to that of a human population of nearly 2 billion. (10)

Phenomenal change has taken place during the past thirty years with respect to animal waste disposal. These wastes were once considered an important asset in providing fertility to the soil.

The 1938 Yearbook of Agriculture carries the following statement:

One billion tons of manure, the annual product of livestock on American farms, is capable of producing \$3 billion worth of increase in crops. The potential value of this agricultural resource is three times that of the Nation's wheat crop and equivalent to \$440 for each of the country's 6,800,000 farm operators. The crop nutrients it contains would cost more than six times as much as was expended for commercial fertilizers in 1936. Its organic matter content is double the amount of soil humus annually destroyed in growing the Nation's grain and cotton crops.

Currently, animal waste is considered by many people to be the leading agricultural waste problem. This change in attitude toward animal wastes has occurred because of the shift from livestock production on the individual family size farms to concentrated large scale, confinement-type enterprises. These changes include multi-thousand-head beef or hog

(1) Numbers in parentheses refer to literature cited, pp. 31.

feedlots, dairy operations which exceed 200 cows, and poultry enterprises with thousands of birds. Waste disposal of these concentrated livestock operations is now a serious problem because the costs of handling manures make them no longer competitive in price with chemical fertilizers.

In evaluating the effect of farm wastes, it must be kept in mind that most domestic animals daily produce fecal matter having greater BOD^{1/} than that of man, although the BOD in relation to volume of effluent varies greatly among species. One cow, for example, will produce manure equal, in terms of BOD, to the sewage of 16.4 people. This means that a feedlot handling 1,000 head of cattle would have about the same waste-disposal problem as a small city with a population of 16,400. The city would probably have sewage treatment facilities, but the feedlot is usually not so equipped. (10)

Traditionally, the place for manure has been on the land. Recent attempts to dispose of it in lagoons have been unsatisfactory. Additional research is needed to develop more effective disposal systems. Studies indicate that the benefits to soil fertility from manure application under modern farming conditions do not in all instances justify the cost of spreading.

But livestock operators must contend with a daily supply of a product--manure--that they can't sell, can't give away, and can't burn. It is obvious that there is an urgent need to develop more economical ways and

^{1/} The biochemical oxygen demand (BOD) refers to the amount of oxygen required to decompose the organic matter present in a sample of water.

means of handling manure to provide some benefit to the land while eliminating possible pollution from farm runoff or other forms of environmental pollution.

2. What are the pollution implications of animal wastes?

When wastes are not properly disposed of pollution arises from the animal excreta and animal production operations. Such pollution may affect air, water, soil, and various life forms. It is also associated with depletion of oxygen in streams. These wastes cause excessive nutrient loads and unsightly appearances in our streams. Other impacts on the environment include the spread of infectious agents that affect man and animals; obnoxious odors; toxic gases; insects; and dusts. The biochemical oxygen demand (BOD) of manure produced from agricultural livestock and poultry in the United States, is estimated to be ten times that of the sewage produced by the human population.

In low flows of a sluggish stream carrying excessive quantities of wastes during the warm weather, there will be little oxygen available for either the respiratory needs of fish life or the oxidation of organic pollutants.

Recent studies indicate that untreated municipal sewage has a biochemical oxygen demand in the neighborhood of 100 to 400 p.p.m. Runoff carrying wastes from barnyards and feedlots may have a BOD varying from 100 to 10,000 p.p.m., depending on the dilution and degree of deterioration of the wastes. "Public health authorities object to runoff entering a stream if it exceeds 20 p.p.m. in BOD." (10)

Animal wastes in general and feedlot wastes in particular associated with concentration of livestock production under confined feeding systems pose significant environmental pollution problems in specific areas:

- (1) Fish and aquatic life and recreational uses
- (2) Potable water supplies both surface and subsurface
- (3) Land use, odors, and aesthetics

Fish kills have provided examples of consequences of pollution. In 1967, of the recorded fish kills which occurred, the highest percentage was attributed to agricultural wastes. Feedlot wastes were regarded as a key factor.

Waste water runoff lowers the oxygen content of the receiving streams and increases the amount of ammonia above acceptable levels. One writer's experience was particularly tragic. "He had observed a slug of animal wastes enter a stream and disperse for a considerable distance. Afterwards, fish were observed surfacing and attempting to obtain life-giving oxygen from the air. Crayfish were seen struggling out of one of the stream's banks and returning to the oxygen-less waters. Analysis of the stream showed the dissolved oxygen content to be zero and the ammonia content was seven milligrams per liter. Both made aquatic life a virtual impossibility and sport fishing, or for that matter, any fishing were futile exercises." (22)

Recreational areas, water sports such as swimming, and skiing, can all be adversely affected by uncontrolled runoff from feedlots. The polluted waters create a health hazard because of the numerous disease bearing

CEE-8

organisms present in these waters. It has been reported that some 50 known diseases can be aquatically transmitted from animals to man. (22)

In early 1966, the Interstate Commission on Potomac River basin reported:

Every time it rains--enormous amounts of animal wastes are washed from farmyards into the River, rendering it unsafe for swimming....Although only a quarter-of-a-million people live in the river basin above Great Falls, it has been estimated that the number of farmyard animals--cows, sheep, pigs, chickens, turkeys--is the equivalent of a human population of 3.5 million. While most of the human population is served by some sort of sewage treatment plant, there is no comparable treatment for the animal wastes." (10)

A study prepared in 1968 by Dr. Raymond C. Loehr, Professor of Water Resources and Agricultural Engineering, Cornell University, for the Federal Water Pollution Control Administration, indicates that until the animal wastes enter the ground or surface waters, they generally do not create a serious water problem, tending to stay within the feedlot area until the area is cleaned or until runoff washes them away. The water pollution problem associated with these wastes is drainage during periods of rainfall. Studies on Long Island revealed that the waters of Moriches Bay and parts of Great South Bay are polluted by bacteria, suspended solids, and nutrients. These studies indicate further that:

...major sources of pollution are duck farms lining the shores. Closing of these areas to shellfish operations has caused an economic injury in excess of 2.5 million dollars annually to the shellfish industry. Pollution of these waters has resulted in an unsightly appearance, production of objectional odors, excessive algae and aquatic plants, and has adversely affected recreational use of the waters....

The effect of such pollution is apparent in the number of fish kills that have occurred....Most of the fish kills caused by animal wastes occurred in Kansas. This suggests a great awareness by Kansas officials of the pollution caused by animal wastes and not that the problem is unique to Kansas. Animal wastes killed 82 to 99.5 percent of the fish killed in Kansas in 1964 and 1965, respectively. Spring rains in Kansas in 1967 caused tons of cattle feedlot wastes to enter the receiving streams killing an estimated 300,000 to 500,000 fish. (21)

3. How have changing production practices with respect to livestock production contributed to the animal waste problem?

To achieve lower costs producers must adopt better breeds and strains of livestock; feed better balanced, high-energy rations; mechanize feeding methods, and expand the size of their operations. These practices tend to lead to more specialization of production.

One goal sought by the large-scale feeders is to reduce the amount of labor required in feeding operations. Recent reports prepared by the United States Department of Agriculture indicate that feeding systems for broilers, for example, now require the services of only one man to care for 60,000 to 75,000 birds. A man can feed as many as 5,000 head of cattle in a modern feedlot, or one man can handle 50 to 60 milk cows in a loose housing mechanized feeding system.

Although large-scale enterprises exist in all types of livestock and poultry production, currently the meat-poultry industry is the major part of agricultural production which approaches complete coordination (through economic integration or contract) of various stages of production from breeding flocks through processing of finished birds. Considerable coordination is also found in the egg industry.

Traditionally, the Corn Belt has been the center of cattle feeding in the United States. In more recent years, intensified cattle feeding has developed in the western and southwestern regions. In these finishing feedlots feeder cattle receive a high energy ration until ready for slaughter.

Capacities range from less than 1,000 head of cattle to 100,000 head or more. The large feedlots are maintained near full capacity year around. When one lot of cattle is finished, it is marketed and replaced by another lot. In 1968, although only 1 percent of the cattle feedlots had capacity for over 1,000 head of cattle, this group handled about 47 percent of the fed cattle marketed. (12)

In the hog industry, large scale specialized enterprises are also developing, but not as rapidly as in poultry and fed cattle, nor with the same high degree of coordination. It is estimated that less than 10 percent of market hogs come from such firms.

It is an accepted fact today that the trend toward increasing production of livestock in confinement will also create greater concentrations of wastes and will no doubt create a greater pollution problem as the feed rations change to feeds which contain less roughage and more biodegradable material.

In a number of States the per capita equivalent animal population is greater than the human population. The problems generated by animal wastes will very likely be the greatest in those States. This is not to infer, however, that waste problems will not occur in other States. Localized problems are likely to occur to ever concentration of animal

production is developed. Many feedlots have capacities for 2,000 to 10,000 head of cattle. It is estimated that these lots will produce wastes, on a total solids basis, equivalent to that from communities of about 36,000 and 183,000 population, respectively. Broiler operations which house from 100,000 to 1,000,000 birds are not uncommon today. Such operations produce wastes equivalent to communities of about 10,000 to 100,000 population, respectively. (21)

4. How do animal wastes and effluents from dairy operations impair the quality of our water supply?

The pattern of dairy production, in many respects, parallels the problems of the poultry producers and beeflot operators. Dairy farms are becoming fewer, but larger, and the economies of size point to more concentrated production units and, of course, the concentration of resulting wastes.

The average cow will produce 70 to 90 pounds of wet manure per day. This amounts to 10 to 16 tons of wet manure for each cow in a year's time. On January 1, 1971, there were nearly 12.5 million milk cows on farms in the United States. More than 40 percent of the total number are in the States of Wisconsin, New York, Minnesota, California and Pennsylvania. If we use the figure of 10 tons of manure per animal per year we have a total of 125 million tons of waste to dispose or to utilize in some manner.

The dairyman today with a 40-50-cow herd, and a reasonable amount of land does not normally have a serious disposal problem. When his herd size passes the 100 cow mark, however, critical waste problems can arise.

The average number of cows in a northeastern dairy herd is about 48 animals today. This average will probably reach 75 per herd by 1980. It is expected a substantial number of producers will have herds ranging from 100 to 300 cows.

These data indicate that the trend in dairy production is toward more intense operations both in number of cows and the degree of confinement.

The following statement with respect to pollution from dairy operations was made at the Cornell University Conference on Agricultural Waste Management in January 1970: "A critical situation has already been reached in Florida. A number of citations have been made to dairymen for pollution of surface water by the Florida Department of Air and Water Pollution Control under provisions of the 1967 Florida Air and Water Pollution Control Act. Operators are being instructed by the regulatory agency to contain wastes on their own farms. This does prevent the unsightly presence of suspended solids and odors on neighboring property, but it does not treat the problems of groundwater pollution by nutrients.

Confounding this problem is the large concentration of dairies near Lake Okeechobee, the second largest fresh water lake within the United States. Control of this lake is the key to regulation of water in all of south Florida. It offers great potential as a municipal water supply, fishing and recreation area for the rapidly expanding population of Florida. There is some evidence of degradation of the lake during recent years.

It is thought that some dairy waste is flowing into the lake, particularly by way of Taylor Creek...." (3)

The State of Wisconsin had more than 1.8 million dairy cows on farms on January 1, 1971 creating nearly 30 million tons of manure that must be transported each year.

However, many Wisconsin dairymen are using a relatively new method of waste disposal, the liquid manure system.

Generally, the system consists of the following:

- Tanks to which water has been added to store raw manure.
- Machines to agitate the mixture.
- Pumps to draw it out when the time comes to apply it on cropland.
- Tractor and spreader.

Where farm operators confine livestock into small areas, the liquid manure system tends to be practical and economical. Hog farmers have been using the system successfully.

Economic feasibility depends on the value of the manure, farm operating costs, and other variables, according to a survey made on Wisconsin farms by the University of Wisconsin in cooperation with the USDA's Economic Research Service.

Liquid systems generally require a higher investment in equipment (twice that for conventional systems), but they salvage more of the nutrient value of the manure. In the Wisconsin study, the conventional system was found to be cheaper to operate for dairy herds of fewer than 50 cows. And

at the 50-cow level, costs over returns were the same for the two systems, taking into account the value of plant nutrients in the manure.

However, for herds of more than 50 cows, liquid disposal became more economical, due mainly to higher value of liquid manure. Its value averaged \$32 annually per cow, or at least \$12 more than a well operated conventional operation. (18)

5. What approaches can we take to solve the animal waste problem and other agricultural pollution of our water supply?

Agriculture has an important stake in the fight for clean water because it withdraws and consumes more water than any other segment of our society. Over the years numerous agricultural practices and conservation measures applied have helped protect the water supply for the entire Nation. However, the changing farming practices, particularly the concentration of livestock production, have exceeded the capacity of producers to cope with the growing problem of pollution.

In a paper presented at the Cornell University Conference on Agricultural Waste Management in 1969, John M. Rademacher, Regional Director, Missouri Basin Region, FWPCA, Kansas City, Missouri, suggested the following approach to deal with the problem:

The existing legislation pertaining to feedlot pollution control should be thoroughly evaluated. Many of the basic concepts contained in the regulations are sound. However, more attention should be directed to management practices which would prevent the wastes from entering surface or ground waters. We must emphasize that preventing wastes from contaminating the environment by keeping feedlot wastes isolated from waters is better than the palliative measures employed after entry into the waterways. (2)

Rademacher, pointed out further that laws must give more consideration to the location of feedlots. Feedlots in the past have been located in numerous areas with little regard to the soil conditions and associated topographical characteristics. It may become necessary to require zoning regulations to prevent the encroachment of animal populations into urban areas as well as to prevent such encroachment of the human population into animal feedlot areas.

California and Hawaii have made some progress in this direction by enacting land conservation acts which prevent encroachment of urban development into agricultural areas. Their legislation provides more favorable tax assessments for agricultural lands. (2)

Many of the problems to be solved are relatively new and as a result have not received sufficient research attention.

As stated in a recent USDA, Agricultural Research Service Study:

There is a pressing need to develop basic design criteria that are amenable to some adjustment to meet the widely varying constraints associated with different enterprises in different parts of the country. Elements of the problem include characteristics of manures, removal of manure from livestock and poultry quarters, storage, transport, feasibility of use on land and disposal by burning, use of lagoons or similar facilities, or burying. Disposal problems include handling carcasses, milk-room wastes, and silage effluents.

Most of the present methods for handling livestock and poultry wastes are no longer economically justifiable nor esthetically acceptable. New methods and systems are essential. Engineering competence will be needed to evolve a completely new family of agricultural equipment and processes." (10)

The Choquette brothers, Upland, Nebraska feed 200 to 300 head of cattle per year in their five feedlots covering approximately 4 acres. The area drains into one natural draw that would otherwise empty into a tributary of the Republican River in the Franklin County Soil and Water Conservation District.

The Choquette brothers first pick up the solids and haul them out to be spread on the land. The remainder washes down with every rain and is trapped in a farm pond. The pond is equipped with an emergency spillway.

A special tractor driven pump picks up the liquid from the pond and pumps it 75 feet through an underground line to the edge of the field where a riser permits the wastes to empty directly into an irrigation lateral or into a pipe. Each row gets its share of waste material in the same manner as the regular irrigation system, except the water from the pond is loaded with wastes that were not permitted to pollute the Republican River. This operation permits irrigation and fertilizes in the same operation.

The Soil Conservation Service conservationists assisting the District surveyed and designed the pond just as they would any other farm pond.

The Choquette brothers claim "the pollution control system cost them about \$2,000 and that they will only have to pump \$100 worth of value from it each year to amortize it in 20 years."

They can pump these nutrients anywhere on their corn land, except when it is being worked for planting. If it doesn't rain they pump water from their irrigation well directly into the pond and out again onto the land. (16)

6. How does disposal of nitrogen components in animal manure present a management problem?

Disposal of manures contributes substantially to the contamination of surface and groundwaters by nitrate nitrogen.

Considerable information is available currently indicating that the health of children and animals may be impaired by drinking water containing more than 10p.p.m. N as nitrates. Some reports reveal "nitrate poisoning of livestock from consuming forage in excess of 0.3 per cent nitrate nitrogen on a dry weight basis." Livestock deaths in Canada have been reported due to livestock "consuming forage containing 0.4 to 0.5 per cent nitrate nitrogen." The forage involved had been grown on land on which the application of manure had exceeded recommended rates by five times in terms of nitrogen. (2)

7. Why have lagoons for oxidation of animal wastes not been completely successful?

Lagoons for oxidation of animal wastes have been used with varying degrees of success. The South Dakota agricultural experiment station has reported that they are generally a failure in that State. The lagoons are hampered by problems of overloading, floating litter, aquatic weeds, and buildup of sludge.

"When the lagoon becomes overloaded, bacteriological decomposition changes from aerobic to anaerobic. During anaerobic (absence of oxygen) decomposition, noxious gases and vile odors emanate. Under such conditions, the lagoon becomes more unacceptable than the ordinary manure pile. (10)

8. How does airborne ammonia from cattle feedlots affect nearby lakes and rivers?

The USDA, Agricultural Research Service in cooperation with the Colorado Agricultural Experiment Station has recently pursued research to determine the rate at which ammonia is absorbed directly from the air by water surfaces under different conditions of temperature and climate at various distances and directions from cattle feedlots. At the same time, scientists measured the amount of ammonia contributed by rain and snow.

Lakes in the vicinity of smaller feedlots (800 head) absorbed four times the amount of nitrogen that was measured at a pond located at least 10 miles from any feedlot. (7)

The study showed that ammonia volatilizes from feedlots and is absorbed by lakes throughout the year, even though the lakes are covered with ice and snow.

The findings in this study indicated further that airborne ammonia from feedlots near lakes and rivers may contribute more nitrogen enrichment to those bodies than runoff and deep percolation from the same sources.

The bodies of water simply absorb ammonia, a nitrogen compound from the air. In one lake in northeastern Colorado, a little over a mile from a large feedlot, the surface absorbed about 30 pounds of nitrogen as ammonia per acre per year.

The discovery upsets the prevailing concept that the problem of pollution from cattle feedlots will be solved when a way is found to dispose of animal wastes safely. Disposal must include provisions for controlling volatilization of ammonia. As much as 90 percent of the urinary nitrogen excreted on a feedyard can be released as ammonia directly into the air.

9. What about swine waste management?

Swine wastes have some fertility value, but the increasing cost of handling, equipment and labor, and the convenience, reliability, and lowered cost of commercial fertilizer have changed swine wastes from an asset into a production expense.

A workable waste-management system for a hog-production unit probably cannot be made up of one treatment method but will have to be composed of several to be assured of a complete waste-management system.

The following are some of the systems that have been used separately or in combination:

- a. Settling tank and anaerobic lagoon.
- b. Oxidation ditch, settling tank, aerobic lagoon.
- c. Settling tank, floating aerator in lagoon, and irrigation or pumping to fields.
- d. Floating aerator in aerobic lagoon and flushing out with treated lagoon water.

Operators must consider different combinations and select the method or combination best suited to their particular operations.

Along with the operational costs of the system, the system considered must be evaluated in terms of its effect on desirable working conditions, control of pollution, odor control, and general appearance of the operation. The lowest cost system may not be the most desirable if it is not acceptable to workers and neighbors. (4)

10. What are the problems peculiar to poultry litter disposal?

Poultry manure and litter vary widely in both physical and chemical composition because of various factors: type of poultry raised, number of birds per unit of area, kind of feed, kind and quantity of litter and other related management factors. Climatic conditions during litter production and storage and methods of handling after production all tend to affect litter composition.

Final disposal of huge quantities of poultry manure is now a major problem. The fertilizer value of the litter has been known for some time and large amounts are being used for that purpose. However, the increasing poultry production, particularly the increasing size of poultry production units, has resulted in a large tonnage for which there is no immediate beneficial use. If the factors affecting the chemical composition of poultry manure were better known, it is possible that additional methods of their utilization and disposal could be evaluated.

Large scale poultry operations have given rise to general problems of pollution and offensive odors in nearby areas. (2)

Some attention has been given to using processed poultry wastes as feed supplements. At the Cornell University Conference on Agricultural Waste Management, 1969, T. A. Long, and co-workers, presented a paper giving the details concerning the value of hydrolyzed and dried poultry waste as a feed for ruminant animals.

In a metabolism trial, wethers were fed a ration in which the nitrogen was supplied by hydrolyzed poultry waste, cooked poultry waste, or soybean oil meal. The digestion coefficients for crude protein differed significantly between all rations. Nitrogen excreted in the feces was significantly lower for the soybean oil meal ration than for the poultry waste ration. No other significant differences were observed.

It was found in a fattening trial with steers that rate of gain, feed efficiency and carcass grade were not significantly different for beef steers fed rations in which the supplemental nitrogen was supplied as soybean oil meal, hydrolyzed poultry waste or dried poultry waste. Rate of gain was higher for the steers fed the ration containing urea. The treated poultry waste rations were readily consumed by the steers and no undesirable effect on carcass characteristics were found. (2)

11. What recommendations have been made to deal with the animal waste problem in the future?

The continuing population increase in the United States and the increase in per capita consumption of meat products, particularly beef and broiler chickens, will result in greater numbers of animals produced. Livestock feeding operations will most certainly increase throughout the nation both in number and size of operations. The problems associated with animal waste disposal will be magnified proportionately.

The recommendations most commonly made with respect to more effective animal waste management both now and in the future is more research to gain adequate knowledge to deal with the numerous aspects of this most complex problem.

Professor Loehr, Cornell University, in his study on Pollution Implications of Animal Wastes--A Forward Oriented Review, made the

following recommendations for the future solution to the animal waste problem: (21)

- A. Considerable emphasis be given to the assessment of feasible ultimate disposal techniques for untreated solids and liquids as well as for the residues from waste treatment processes.
- B. All animal waste research and developmental projects should be oriented to obtain cost data to evaluate potential treatment and abatement systems. Economic studies should be conducted to evaluate:
 - (1) the effect of the costs of waste control and abatement on costs of animal production,
 - (2) the effect of the costs of animal production on the costs of waste control and abatement,
 - (3) the costs that will eventually be borne by the consumer, and
 - (4) the probable need for subsidies to insure adequate animal waste control and abatement.
- C. Large scale animal production enterprises be considered as individual industries, and that they be considered subject to State and Federal regulations concerning pollution abatement. Current Federal and State regulations should be reviewed to ensure that they adequately cover pollution caused by animal production facilities.
- D. That forward oriented review be conducted in five years to assess the developments in that time and to develop directions for the future.

12. How have Federal Government agencies contributed to minimizing pollution?

The U.S. Department of Agriculture, the Department of Health Education and Welfare and the Department of the Interior have all contributed substantially to research efforts to seek effective means of dealing with the animal waste problem.

USDA action programs are directed toward (a) educational programs that recommend designs and management techniques that will alleviate pollution through use of current knowledge; (b) technical assistance within soil conservation districts and through extension specialists; and (c) loans to individuals and associations or groups of farmers who need to improve their facilities--improving animal-waste handling facilities would qualify. USDA envisages expansion in all types of activities and considers incentive payments particularly necessary in this area. (1)

The objective of USDA's research program is to develop effective methods of treating and disposing of animal wastes through a number of methods, including lagoons, oxidation ditches, and application to cropland. Research is also being pursued to learn more about the quantity of animal wastes that may be applied to cropland without damage to crops or the land, as well as new methods of disposal.

Land application rates of feedlot wastes are highly varied and at the present time range from as little as five tons per acre per year to as much as 300 tons per acre depending on the crops grown, the condition of the land, the kind of manure, and the use of the crop produced, whether for grain or forage.

Where barnyard manures have been applied to crops, yields have not substantially increased when more than 6-10 tons per acre have been applied annually. It is probable that feedlot or liquid wastes could be applied at heavier rates than barnyard manure because of the lower soluble nitrogen content. Best results have been obtained when the manure is supplemented with phosphate fertilizer.

CRS-24

Excessive rates of manure addition may result in abnormal vegetative growth and lodging of some crops.

Where drought or excessively wet soil conditions prevail during the growing season, the manure may not decompose and could result in production of compounds that are toxic to plants. Too much organic material in the root zone could result in drying of the soil so germination and stand could be adversely affected.

Pasture or silage crops produced on old feeding areas may contain so much nitrate that the feed is toxic to ruminants. Agronomists frequently recommend that corn or sorghum produced on heavily manured areas should be harvested for grain. Crops for silage should be grown on soils receiving chemical fertilizers so the amount of nutrients available during the critical growing season can be more accurately controlled. (20)

USDA's research programs with respect to animal wastes include finding uses of animal wastes for profit or at least on offsetting disposal costs. One example is the conversion of poultry feathers into protein feed. Research for both on-farm and off-farm uses and processes is likely to continue in the future. In this area of emphasis, action programs are generally in the form of technical assistance in the construction of processing facilities.

USDA's research programs have also been directed toward developing more information concerning land use planning. This research is needed to develop acceptable techniques for protective zoning for agricultural production in the future.

The United States Department of Agriculture administers the Rural Environmental Assistance Program (REAP), (formerly the Agricultural Conservation Program), authorized by the Soil Conservation and Domestic Allotment Act of February 29, 1936, through which the Federal Government shares with individual farmers, ranchers, and woodland owners the cost of carrying out soil, water, woodland, and wildlife conservation practices, including pollution control practices for agriculture.

The Federal Government generally shares 50 per cent of the cost of carrying out approved practices. The Government's share of costs may range up to 80 percent for low-income farmers and for certain high priority practices and projects.

The maximum Federal cost-share for a person during the program year is \$2,500 (except pooling agreements, in which case the limitation is \$10,000).

This program is administered locally through County Offices of the Agricultural Stabilization and Conservation Service, under the direction of ASC farmer committeemen.

The final authorization for REAP for the 1971 program is \$150 million. The advanced Congressional authorization for the 1972 program is \$195.5 million.

An important function of the Department of Health Education and Welfare in this area has been to provide educational materials, manuals and guides, for use by program administrators in dealing with off-farm problems of animal wastes, particularly in areas where waste disposal

has resulted in conflicts between feedlot operators and nearby urban people.

Under the DHEW programs technical assistance supported by organized training programs will be provided to interested control and health agencies.

The DHEW's research programs have also been directed toward minimizing pollution by improved use of existing technology as well as by developing new and improved methods for converting wastes to useful products. This research includes "conversion of animal wastes to animal feed, soil conditioners or fertilizer carriers, and extraction of protein for use as a food supplement. The potential for reuse or recycling of these wastes is also studied." (1)

The Department of the Interior has contributed substantially to the research effort to develop improved techniques of animal waste disposal in a manner to prevent air and water pollution.

Water quality standards adopted by all 50 States and approved by the Secretary of the Interior include plans for implementation for inter-State streams, lakes, and coastal waters. With few exceptions these standards deal effectively with municipal and industrial wastes and their effect on water quality. However, with regard to agricultural waste in general many difficulties have been encountered in developing appropriate and workable standards. Additional technical information is needed on the characteristics of runoff and on the effectiveness of existing standards requirements." (1)

Many of these projects are now centralized in the Environmental Protection Agency.

13. Is cattle manure a potential source of cattle feed?

W. Brady Anthony, Department of Animal Science, Agricultural Experiment Station, Auburn University, Auburn, Alabama, presented a statement at the Cornell University Conference on Agricultural Waste Management, 1969, concerning "Cattle Manure: Re-Use through Wastelage Feeding." Wastelage is the combining of fresh manure with ground grass hay in the ration of 57:43 with storage in a silo until fed. "Wastelage has been combined with concentrate for feeding to fattening cattle and has been used as the only feed for ewes and beef cows."

Anthony presented data giving the results of a number of experiments in using manure in cattle feed mixtures, all indicating a high degree of success.

The results of the experiments may be summarized as follows:

- a. Fresh feedlot manure can be mixed with concentrate and fed successfully to cattle with considerable saving in feed used per unit of beef produced.
- b. Wastelage represents flexible system of removing manure daily, blending it with hay, and storing as silage.
- c. Elimination of pollution from steer feedlots can be obtained through use of wastelage plan.
- d. Yeast can be produced on fluidized and aerated manure. About 68 percent of manure dry matter appears recoverable in the yeast fermentation product.
- e. Feedlot manure properly handled is a valuable product for conversion to an animal feed. (2)

14. Are there legal restraints on pollution from animal wastes?

The Federal Government entered the field of water pollution with the passage of the Water Pollution Control Act of 1948 and assumed a leading role by enactment of the Water Quality Act of 1965. This Act provided for the establishment of water quality standards by the State on interstate streams with the approval of the Federal Government.

A study released by the U.S. Department of Agriculture, Agricultural Research Service, in April 1971, indicates that:

"All 50 States have water quality standards which have been wholly or partly approved by the Federal Government. These standards list acceptable biochemical oxygen demand (BOD) levels and other limitations such as the bacteria level permitted in a body of water. These can be utilized by the State or Federal Government in enforcing compliance with the quality of waste discharged into a stream. Any wastes from a livestock operation would be subject to this review and subsequent control under the State Water Quality Standards. Recently passed legislation on air quality standards will cause the development of additional regulations for beef feedlot construction and management. Changes in laws applicable to pollution of water and air are expected to cause continuous changes in State laws and regulations. "(24)

A few States, including Arizona, Colorado, Iowa, Kansas, Nebraska, Oklahoma, and Texas had regulations pertaining specifically to beef cattle feedlots as of December 1970. Regulations were developed as a result of legislation related to water pollution control or, as in the

CRS-29

case of Oklahoma, pursuant to specific legislation--the "Oklahoma Feed Yards Act of 1969." (24)

REFUSE ACT OF 1899 PERMIT APPLICABILITY*

Confined Livestock and Poultry Operations

Runoff from confined livestock and poultry operations due only to natural causes shall not be considered a "discharge," at this time, within the meaning of the term as applied to permits required under the Refuse Act of 1899.

Confined livestock and poultry operations are subject to the permit program if the given feedlot or facility contained 1,000 or more animal units (1,000 beef animals, 700 dairy cows, 290,000 broilers, 180,000 laying hens, 55,000 turkeys, 4,500 hogs for the slaughter market, 35,000 feeder pigs, 12,000 sheep and lambs, or 145,000 ducks) at any time during the calendar year preceding the filing of the application.

AND, (1) the livestock or poultry facility utilizes a man-made drainage, flushing or collection system (waste pits, ditches, detention ponds, lagoons, waste pipes, or the like), from which measurable waterborne wastes are regularly discharged, irrespective of rains or melting snow, into a navigable stream or its tributary, or (2) a regularly flowing stream into which wastes are directly placed traverses the feedlot or facility, or (3) there is a frequent overflow from a containment or retention facility.

Provided, however, that if the same operator has confined livestock operations at different locations or a feedlot which naturally drains in separate directions, and if the drainage, flushing, or collection system for each operating unit is separate and apart and discharges from a separate and distinct outlet or point and the waterborne waste from one system does not come together on the property of said operator with that from any other of his operating units, the 1,000 animal unit criterion shall apply to each separate operating unit, not to the total animal units on hand at any one time.

*Source: Environmental Protection Agency.

STATUS OF 46 STATES' REGULATIONS GOVERNING
FEEDLOT CONSTRUCTION OR OPERATION OR BOTH (24)

State	Regulated	No specific regulations	Regulations being developed	Other regulations applicable
Alabama		x		
Alaska		x		
Arizona	x			
Arkansas		x		
California		x		
Colorado	x			
Connecticut				x
Delaware		x		
Florida				x
Georgia		x		
Hawaii				x
Idaho		x		
Illinois				x
Indiana				x
Iowa	x			
Kansas	x			
Louisiana				x
Maine				x
Maryland				x
Massachusetts				x
Minnesota			x	
Mississippi				x
Missouri			x	
Montana		x		
Nebraska	x			
Nevada				x
New Hampshire		x		
New Jersey				x
New York				x
North Carolina				x
North Dakota			x	
Ohio				x
Oklahoma	x			
Oregon			x	
Pennsylvania				x
Rhode Island		x		
South Carolina		x		
South Dakota			x	
Tennessee		x		
Texas	x			
Utah		x		
Vermont		x		
Virginia		x		
Washington		x		
West Virginia		x		
Wisconsin		x		

Selected References

- (1) A Report to The President. Control of Agriculture-Related Pollution. Submitted by The Secretary of Agriculture and The Director of the Office of Science and Technology, Washington, D.C., January 1969. pp. 25-35.
- (2) Cornell University Conference on Agricultural Waste Management. Animal Waste Management. Syracuse, New York. 1969.
- (3) Cornell University Conference on Agricultural Waste Management. Relationship of Agriculture to Soil and Water Pollution. 1970.
- (4) Muelling, Arthur J. Swine Housing and Waste Management. A Research Review Sponsored by National Pork Producers Council, University of Illinois, College of Agriculture, Cooperative Extension Service and Federal Extension Service and Agricultural Research Service of the U.S. Department of Agriculture. 1969.
- (5) Farmer's Digest, December 1970. p. 84.
- (6) New York State Department of Health. New York State Water Pollution Control Board, Research Report No. 4. Treatment of Long Island Duck Farm Wastes. 1959.
- (7) U.S. Department of Agriculture, Agricultural Research Service. Agricultural Research, August 1970, Vol. 19, No. 2. pp. 8-9.
- (8) U.S. Department of Agriculture, Agricultural Research Service. Agricultural Research, December 1970, Vol. 19, No. 6. p. 10.
- (9) U.S. Department of Agriculture, Agricultural Research Service. Agricultural Research, February 1971, Vol. 19, No. 8. p. 5.
- (10) U.S. Department of Agriculture, Agricultural Research Service. Wastes in Relation to Agriculture and Forestry. By Cecil H. Wadleigh, Director, Soil and Water Conservation Research Division. Miscellaneous Publication 1065, March 1968.
- (11) U.S. Department of Agriculture, Cooperative State Research Service. Science Review, Vol. 9, No. 1, First Quarter 1971. pp. 1-8.
- (12) U.S. Department of Agriculture, Economic Research Service. Agriculture Economic Report No. 186, October 1970.

- (13) U.S. Department of Agriculture, Economic Research Service. The Livestock and Meat Situation, March 1971.
- (14) U.S. Department of Agriculture, Economic Research Service. Livestock and Meat Situation, February 1971.
- (15) U.S. Department of Agriculture. The Farm Index, April 1971.
- (16) U.S. Department of Agriculture. Soil Conservation Service. Waste Disposal on Farmland. Reprinted from Soil Conservation, November 1968.
- (17) U.S. Department of Agriculture and The State University and Land Grant Colleges. A National Program of Research for Environmental Quality--Pollution in Relation to Agriculture and Forestry, September 1968, pp. 5, 15-17.
- (18) U.S. Department of Agriculture, Statistical Reporting Service. Agricultural Situation, January-February 1971.
- (19) U.S. Department of Agriculture. Program or Activities Relating to Protecting or Enhancing Environmental Quality, (Research). p. 38.
- (20) U.S. Department of the Interior, Federal Water Pollution Control Administration. 2nd Compendium of Animal Waste Management. Missouri Basin Region, Kansas City, Missouri, June 1969.
- (21) U.S. Department of the Interior, Federal Water Pollution Control Administration. Pollution Implications of Animal Wastes--A Forward Oriented Review. Robert S. Kerr Water Research Center, Ada, Oklahoma, July 1968.
- (22) U.S. Department of the Interior, Federal Water Pollution Control Administration, Proceedings of Animal Waste Management Conference, Missouri Basin Region, Kansas City, Missouri, February 1969.
- (23) Year Book of Agriculture, 1970.
- (24) U.S. Department of Agriculture, Agricultural Research Service, Agricultural Engineering Division, A Summary--State Regulations Pertaining to Livestock Feedlot Design and Management, December 1970.

Mr. BARTON. The last part here in the statement I talk about Federal commodity programs. We say that we must replace the set-aside approach in the 1970 Agricultural Act that is forcing so many small farmers to the wall. The feed grains program that was recently announced for the 1972 crop year amounts to an admission by the administration that the set-aside program has been a failure.

The increase in mandatory set-asides, the inclusion of barely in the program, and the acceptance of additional voluntary set-aside acres with payments to participants are all attempts by the administration to shore up a program that we are convinced is basically wrong.

The tragedy is that, because the set-aside approach does not effectively manage supply on a commodity-by-commodity basis, it will force out many smaller farmers who do not have the diversity and the access to outside capital to survive very unstable marketing conditions.

Thus, the set-aside contributes, we are convinced, to the trend toward corporate domination of agriculture.

We say the set-aside program must be junked, and the Nation should return to effective supply-management under the acreage allotment system permitted under the present farm law.

Mr. Chairman, of course, we would welcome and solicit any support from you and from this subcommittee in helping to see that we move back toward more effective supply-management programs.

Senator STEVENSON. Thank you, Dr. Barton.

You mentioned "land values" in your statement. The Government has the Bureau of Labor Statistics, which furnishes periodic and very detailed figures on economic concerns, consumer prices, et cetera. Is there any place that you know of to go in the Government, or outside the Government, to get an inventory of land in the country, the price of land, or to find out what has happened over a period of time to the land values of the country?

Mr. BARTON. There is some information on land values available from the Department of Agriculture, but it is not as revealing as it should be.

I agree with what I think is your implication that it certainly should be part of our direct policy in trying to come to grips with this problem, that we have the basic data to really know what is going on so that action can be taken. This kind of information is not available at the present time.

Senator STEVENSON. We know somewhat vaguely that rural land values have been going up rapidly in recent years. I have made it a practice when traveling around the country to ask what land is selling for. I have been doing this for years. I have been for years startled at how high the prices are. I have seen land values going up, although my study has not been extremely scientific.

But doesn't the appreciation of land values benefit the farmer if he does sell out to the corporation at a high price?

Mr. BARTON. In answer to your question, Mr. Chairman, I think if one were to assume that farmers wanted to sell out and go out of the business of farming, I suppose this could be your conclusion.

But the farmers that I know, and I am sure that you know, the smaller farmers and the family farmers, want to stay in farming. This is certainly the painful last resort if they have to sell out. Some are having to sell out because they are being squeezed to the wall in terms of the cost-price squeeze.

This is a big part of our problem of what we talk about in terms of rural development. The smaller farmers are having to sell out to the corporations, simply to get out from under an operation that can't sustain them any longer.

So, if we are really serious about rural development and if we really want to maintain a sound family agriculture and accomplish rural development in this sense, we must look at ways of keeping family farmers in agriculture.

Senator STEVENSON. I have seen the results of a scientific survey of public attitudes.

The survey indicates that the people, by and large, don't want to live in cities, they want to live in rural areas, they want to live in small towns.

What has happened, I think, is that the opportunities to live in small, nonurban communities for people who most want to live there are being foreclosed by the high prices of the land and the inaccessibility of credit.

It is a problem that is not much discussed in the country, but which I think affects far more people than just farmers. Perhaps it is one of the causes of unrest that is attendant in the country.

Mr. BARTON. Yes; we certainly agree, Mr. Chairman, that they are being forced out. The farmers and the rural people are not going to the cities because they desire to do so, and they are not selling out of farming because they desire to do so. They are being forced out by higher prices, the higher costs of the production units, the machinery and so on, and by lower prices that they get for their produce.

They are being forced into the overcrowded cities.

Senator STEVENSON. Finally, I will ask on behalf of Senator Hughes, as he requested that I ask you, why it is that your farm organization takes a different attitude from the apparent attitude of the American Farm Bureau toward the dangers of corporate penetration of agriculture.

Mr. BARTON. I would simply say, Mr. Chairman, and to some extent repeat what I said earlier, if you want to wait and watch the drift of things, if you want to wait until it is too late to do anything about it, then you may well say that there are still some sectors of agriculture in which corporations are not that important, and place your emphasis there. You may say: "Let us wait and see what is going to happen."

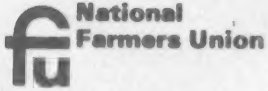
But if you want to change this trend, and if you feel that we ought, in the agricultural sector at least, to make some basic choices while there is still time to make basic choices, then you have to emphasize the extent to which corporations have already invaded agriculture, and the number of sectors that corporations control at this point. Only in this way can we move to action at this point, rather than wait and see—wait until the situation has moved past the time that we can act, and act effectively.

Senator STEVENSON. Thank you, Mr. Barton.

I hope you will convey my best wishes to Mr. Watson. I thank him for his cooperation. I hope that the National Farmers Union will continue to help us and give us from time to time the benefit of the various ideas and recommendations that you may have.

Mr. BARTON. Thank you very much, Mr. Chairman. We will certainly try to do that in any way that we can.

(The prepared statement of the National Farmers Union by Raymond J. Watson, president of Illinois Farmers Union follows:)



Statement of
National Farmers Union
on
Problems of Farm Workers and Small Farmers in America
before the
Subcommittee on Migratory Labor
Senate Committee on Labor and Public Welfare

November 5, 1971

Mr. Chairman, Members of the Committee:

I am Raymond J. Watson, President of the Illinois Farmers Union. I am pleased to have the opportunity to appear before this Subcommittee today.

You have outlined a broad format for today's hearing. This is a constructive approach, for a wide range of interrelated problems face the farm worker and the small farmer in rural America.

Farmers Union has been, and continues to be, a strong advocate of a coordinated attack on the problems of smaller farmers and farm workers. We have supported stronger bargaining legislation for both farm operators and farm laborers. We actively supported the grape boycott that was designed to bring basic bargaining rights and wage levels to this segment of farm workers. We have supported minimum wage and income legislation for both farmers and farm labor.

Mr. Chairman, today I would like to focus primarily upon only one of the problems which you specified in your October 15 letter announcing these hearings. This is the problem of the entry of giant corporations into agriculture, and the directions that should be taken in national policy to protect the public interest -- including the interests of family farmers and farm workers -- from the corporate invasion.

Let me hasten to point out that we are not talking here about family farming corporations, but rather about publicly-owned corporations of the industrial pattern.

Simply stated, the corporation that threatens the public interest is the kind that has its economic roots in the non-farm community. This corporation may come in various forms. It is commonly referred to as the "conglomerate corporation." The meaning of the term, of course, is a corporation representing more than one interest. It comes in two forms -- the vertically integrated corporation representing related business activities in the production, processing, and marketing of a product; and what may be referred to as the "horizontally-integrated corporation," representing a variety of unrelated business enterprises, but tied together by common or related ownership.

A single conglomerate may seek both vertical and horizontal integration. Tenneco, the nation's thirty-fourth largest corporation, is an example.

-2-

"Tenneco's goal in agriculture is integration from seedling to supermarket," the conglomerate said in its report to stockholders. Tenneco has acquired such a diversified group of subsidiaries that it can plant its own vast acreage and plow the fields with tractors it manufactures (powered by oil from its own wells), spray its crops with pesticides and fertilizers it manufactures, process its food products in its own containers and distribute the products to grocery stores through its own marketing system.

More often, at least at this time, corporations tend to seek either vertical or horizontal integration in the marketplace. I will briefly discuss each form.

First, the vertically-integrated corporation. It may be under a single corporate charter, or under more than one. But its essence is common ownership and related business activities -- such as a cattle feedlot and a packing company, or a broiler feeding operation and a related feed mill, or hatchery, or broiler processing plant.

The vertically integrated operation is, I believe, the most serious threat now facing family agriculture in America. The reason is that it destroys the market system. As you know, agriculture consists of many commodities, each with its own growing cycle and its own market system. These market systems have grown up to serve our diversely held family agriculture. The result, when there is vertical integration, is disastrous.

Let me cite an example of this. A few years ago, broiler feeding in this nation was in the hands of independent family farmers. These family farmers were enormously efficient. But as a result of the integration of the industry -- the vertical ownership of hatcheries, feed mills, processing plants, and in some cases the retail outlets -- there are no more independent broiler feeders. It is entirely a corporate operation.

Let me cite another example. It is a change that is occurring in the cattle feedlot business.

Historically, this feeding operation--like that of broilers--has been in the hands of family farmers. It is a complex and delicate art. But in Colorado, cattle feeding has been taken away from family farmers. It is now a corporate operation, controlled by packers. The trend is well along throughout the Great Plains.

But in Colorado, it has already happened. The terminal market at Denver -- the competitive market arena serving the cattle industry -- has been destroyed.

The U. S. Department of Agriculture has studied the matter. USDA economists resurrected a word that has been dropped from most dictionaries to describe the market phenomenon when a relatively few packers own or control the feed lots in a market area. The word is "oligopsony." In an oligopsony, such as existed in the Denver area, the packers have a choice of buying in the terminal market, or filling their quotas out of their own feedlots. In the Denver area, they skillfully maneuvered the market downward (this occurred in 1963 and 1964) from 29 to 21 cents a pound. They consistently bought fewer head than the terminal market provided, taking the rest from their own feedlots. On some days, they bought as few as 12 head of cattle from the terminal market. In the process, the independent feeders were put out of business.

Did the consumer get the benefit of these lower prices? Not at all. The price of beef in the supermarkets never went down. Indeed, on some days when the price of cattle fell the most, the price of beef at the counter actually went up!

The public interest that was violated here was twofold: Family farmers were forced out of business, affecting not only their own welfare but that of the small town businesses from whom they purchased. In addition, the consumers of Denver continued to pay high prices for beef, much higher for example, than the consumers in other markets where there was no such concentration of ownership and/or control in the beef producing and processing business.

Similar concentrations are beginning to occur in other kinds of farming. In the South, textile mills are moving toward control of cotton farms. Corporations control citrus farming. They are moving into the hog business.

This is an alarming development. It must be halted.

Next, let us consider the horizontal conglomerate.

The horizontal conglomerate -- representing unrelated business enterprises -- is an unfair competitor to families who derive their livelihood entirely from agriculture. Although a corporate executive may choose to live on the farm, in some instances, generally speaking they do not. In most cases, this type of conglomerate represents

absentee ownership in every sense of the word. When a substantial portion of the corporate investment comes from non-farm interests, it changes the historic pattern of agriculture from family enterprise to something entirely different. The bank account is lodged in a central city. The rules of proprietorship that provide the framework for conservation of natural resources do not apply. Purchases of farm equipment and supplies are often made at the wholesale or even the manufacturer level. Records of the Internal Revenue Service indicate that the cost to the Federal Treasury is enormous. Beyond these considerations, the removal of ownership from the family that tills the soil represents an unwholesome trend that is contrary to the pattern of family agriculture that has been accepted from the beginning in the social and political body of our nation. Such non-farm ownership also interferes with market values -- not only of land but commodities.

One of the incentives for non-farm interests to get into farming is the opportunity to avoid paying taxes. Farm losses are written off against non-farm income. A \$100,000 loss may represent an actual loss to the taxpayer of less than half that. But the rest of the loss is borne by other taxpayers, of course. In some cases, the taxpayer is able to turn that loss into a capital gain -- converting ordinary income into capital gains, taxable at a much lower rate. Internal Revenue Service records showed that in 1965 there were 119 people in the United States who had more than \$1 million a year income and who were also engaged in farming; 104 of them had losses in their farming operations.

But with the incentive of tax avoidance and virtually unlimited capital from other, often heavily subsidized industries, the non-farm interest can come into rural communities and pay prices for land that are almost totally unrelated to the productive capacity of the land. In the Dallas and Fort Worth area, land prices have risen \$50 to \$75 an acre more than land that is more productive, but located further from the city. Most of the buyers are business and professional interests in Dallas and Fort Worth.

From the beginning of the nation, we have recognized the importance of family agriculture. Family agriculture is part of the foundation of our democratic society. We must have more effective policies to strengthen the independent farmer, and to stop the trend toward corporate domination of agriculture.

Maintenance and strengthening of family farm agriculture is truly in the national interest, for several nationwide goals are served and protected by family agriculture. These include:

- (1) Rural Development. Because family farming is the number ONE business and business-generating activity in rural America, it must be the foundation on which effective rural development must be built;
- (2) Environmental Protection. Family farm agriculture is much more oriented to natural resource conservation than is corporate agriculture with its absentee owners and managers;
- (3) Consumer Protection. Family agriculture, by maintaining competition among a large number of producers, automatically holds down prices to consumers -- provided, of course, that concentration in the food processing industry does not jack up prices before the product reaches the consumer. Family agriculture is clearly better for consumers than giant, corporate agriculture and the administered prices that the corporate pattern brings to every sector of the economy which it dominates.

Of course, much can be done on the state level, where corporations are chartered. But action at the national level is also crucial.

In the remainder of this statement, I want to emphasize two major lines of attack on corporate agriculture at the national level. These are: (1) stronger antitrust statutes and more stringent enforcement of antitrust law; and (2) more adequate Federal commodity programs for family farmers who must compete with corporate enterprises.

We need vigilant administration of antitrust policy against both horizontal and vertical combinations in agriculture, and we need it now.

It is clear from experience with other sectors of the economy that antitrust action, if it is to be effective, cannot be postponed until a small number of firms control an entire sector. Action against economic concentration at that stage is virtually impossible because of technical complications and due to the political muscle that such firms are able to muster to frustrate antitrust enforcement.

Prosecution of some key cases of economic concentration in agricultural production now would serve notice to other business conglomerates that they cannot concentrate production in farming without fear of governmental response. We could, in short, head off the trend toward corporate-dominated agriculture before it is too late.

One more point on antitrust enforcement: In agriculture at least, Farmers Union is convinced that action should be taken against bigness per se, rather than wait for explicit action on the part of corporations in restraint of trade. It has been demonstrated conclusively that family agriculture is as efficient or more efficient than corporate production units. In light of the other detrimental effects from corporate agriculture that I noted earlier in my statement, action should be taken against big corporate agriculture per se.

On federal commodity programs, Mr. Chairman, we must replace the set-aside approach in the 1970 Agricultural Act that is forcing so many small farmers to the wall.

The feed grains program that was recently announced for the 1972 crop year amounts to an admission by the Administration that the set-aside program has been a failure. The increase in mandatory set-asides, the inclusion of barley in the program, and the acceptance of additional voluntary set-aside acres with payments to participants are all attempts by the Administration to shore up a program that is basically wrong.

The tragedy is that, because the set aside approach does not effectively manage supply on a commodity-by-commodity basis, it will force out many smaller farmers who do not have the diversity and the access to outside capital to survive very unstable marketing conditions. Thus, the set aside contributes to the trend toward corporate domination of agriculture.

The set-aside program should be junked, and the nation should return to effective supply-management under the acreage allotment system permitted under the present farm law.

We ask for your support, Mr. Chairman, and the support of this Subcommittee, in working for replacement of the set aside with effective commodity programs.

Thank you.

Senator STEVENSON. Our final witness is Prof. Philip Raup of the Department of Agricultural and Applied Economics, University of Minnesota.

Professor Raup has just completed the second of two studies on corporate ownership of land in Minnesota.

We are delighted to have you appear with us today, Dr. Raup. You are about the only person we can discover in the whole country who seems to know something about landownership, the corporate ownership of land. Thank you very much for going to the trouble of journeying here today to help us out.

STATEMENT OF PROF. PHILIP M. RAUP, DEPARTMENT OF AGRICULTURAL AND APPLIED ECONOMICS, UNIVERSITY OF MINNESOTA, ST. PAUL, MINN.

Mr. RAUP. Senator Stevenson, I would be the first to disavow my unique status as a student of landownership. I do have some information which I would like to share with you, which I hope will be useful to the committee.

Senator STEVENSON. Thank you.

Mr. RAUP. My statement is available, and I presume it will be included in the record.

Senator STEVENSON. Your statement will be entered into the record at the end of your testimony.

Mr. RAUP. I will not attempt to read the statement. I would like to summarize a few of the key points.

In the first few pages, I enumerate the statistics on the decline in farm population, increase in size of farm, decline in number of farms.

There are two points I would like to mention. First, the proportion of farms held by Negro and other minority groups has declined very sharply. They are today a smaller fraction of the agricultural population than they have apparently ever been in modern times. This decline was especially marked in the last 15 years. The Negro as a percent of the farm population was 16 percent in 1960 and only 10 percent in 1970.

Senator STEVENSON. If it is all right with you, I will interrupt from time to time as we go along.

Mr. RAUP. Please do.

Senator STEVENSON. We have had some testimony in this hearing on the subject of Negro ownership of land. We have some statistics already in the record which do corroborate what you are saying. Particularly in the South, black ownership of land has fallen drastically in recent years.

We are told in addition that in one State alone next year as many as 50,000 small farmers and their families are likely to be thrown off the land by the advent of just one machine, in this case a mechanical tobacco picker, and small farmers and farmworkers will be thrown off the land.

One of the things that interests me that was told us in the hearing is that as the number of people involved in land ownership declines, so does the amount of political participation decline. The Federal Government, the Congress, made efforts over the years to encourage political participation by disadvantaged groups in all parts of the country, and I am thinking particularly of the Voting Rights Act.

Do you have any experience which bears that out? Is landownership a factor in political participation?

Mr. RAUP. Very definitely, both in quantity and quality, in the sense that there has been a distinct tendency for voting participation to be influenced by high levels of tenancy, for example. This often shows up in specific instances.

I am thinking of votes on school bond issues or votes on bonds to build a municipal auditorium in a county seat town. In high tenancy areas, there is often a tendency for the owners, and especially if they are absentee, to oppose school bond issues and to exercise influence such as they can to secure defeat.

We have a record of rather poor supply of public meeting facilities in the counties in the Corn Belt that have high tenancy. The better county buildings are often found in the poorer agricultural counties. Some of our richest counties have very poor places for public affairs to be conducted.

I have, as an extension worker, gone to county seat towns in rich counties and found myself meeting in the county courtroom because that was the only decent room for a public meeting in the county seat.

Senator STEVENSON. Would the same observation apply to the quality of the schools?

Mr. RAUP. Yes, it does. Also roads, frequently, and other public investments. I should not take any of your time to go into the question of schools in the South. This has been a very black spot in American education for many decades. What is not so well appreciated is that this is not just confined to the South. You can find it in the Southwest, you can find it in the Mountain States where Indian populations predominate. You can find it in some parts of the Middle West.

The effects of land ownership on voter participation, on their attitudes toward civic responsibility, on the extent to which they support institutions like leagues of women voters, like civic bodies, including service clubs, all speak very eloquently to this point.

As a matter of fact, community organization in general suffers in areas of large scale and corporate agriculture and in areas of high tenancy and absentee ownership. I have not come with the statistics to support that statement, but there are some studies available that indicate this.

Senator STEVENSON. It might be helpful to us if you could identify some of those studies for us. We will make them a part of the record.

Mr. RAUP. I might say that this is an area that calls for much more research than has been given it in the past. It is one of our embarrassments that we don't have the results of this kind of research, and we need it.

May I just proceed with the second point?

Senator STEVENSON. Please.

Mr. RAUP. Up to the 1960's, the decline in the part of the farm labor force supplied by the operator and his family was approximately at the same rate that characterized the hired farm labor force. In the 1960's these two trends began to diverge, in the sense that the decline in family- and farm-operator labor declined somewhat more rapidly than did the hired labor force.

While the data are too recent and subject to too much error to permit me to make any firm prediction, I am inclined to think we may

have passed a very important turning point in American agricultural history. We may well be at the low point of hired farm labor participation in agricultural production.

It could well be that from now on the hired labor force will increase steadily as a proportion of the total labor available in American agriculture. At least the rate of decline has leveled off.

I would like to speak for a moment about the nature of social structural changes which have taken place in agriculture. I think we have all had an image of the economic structure and the social structure that is best depicted by a pyramid, with a very broad base of rather low-income people at the bottom and rising to a point of an elite group with high incomes at the top.

Michael Harrington, several years ago, and others, have pointed out that we have in the United States now a unique social system, a unique social problem, in that we do not have a mass of the poor. The mass is in the middle. We have a minority of the poor. Yet we have the rhetoric, we have the slogans, we have many of the laws and many of the ethics of an assumed social structure of which the base is a broad segment of rather low-income people.

This is mirrored in agriculture as well. We have a rather large fraction of the agricultural population represented by a group that could be called middle class. I cite Prof. T. Lynn Smith's classification, which many people will disagree with and which I don't find very satisfactory, but at least it is an effort to use data to derive the social stratification of American agriculture. It is his general conclusion that the majority of the farm population should be regarded as middle class.

This means that many of the types of problems we are dealing with in agriculture should be regarded as problems of minority groups, but not identified by race, color, or religion, or ethnic origins.

This means, in short, that it would be wise to revise much of our policy in terms of the expected sources of voting strength for the types of programs we propose. The appeal to the masses or to "the people," if it means an appeal to the poor, is an appeal to a group that is so relatively minor in the population that they are not likely to be able to exercise effective voting strength either in small units or at the national level.

This is very significant in terms of agricultural policy, because most of our agricultural policy assumes that the bulk of the farm population is made up of poor people, at a rather low level of operation, on small-scale farms. This is decreasingly true.

I would like to stress also that it would promote an analytical approach to this question of large-scale agriculture and corporation farming if we recognize two points:

First, not all large farms are incorporated. Some of the largest are not. Some of the ones that have caused a great deal of local concern because of their behavior patterns are not incorporated. So you would not touch them by any legislation or any reporting procedure that was focused on corporate farms. That is especially true in the Middle West.

Second, many of the farms that are incorporated are simply family farms. In the States with whose data I am intimately familiar—these States are Iowa, Minnesota, and Wisconsin—the bulk of the corporate farms are family farms. In my home State of Minnesota it is difficult

to get a precise definition because of the vagueness of the term "family farm" and the term "corporate farm." I estimate that roughly 60 percent of our corporate farms in Minnesota are nothing other than family farms which have incorporated.

The small number of corporate farms that cause most of the disturbance and most of the questions are the very large ones, the ones owned by nonfarm interests, and the ones that are parts of conglomerates.

We have data available, and it has been referred to here this morning, in the form of the U.S. Department of Agriculture survey in 1968, which was the very first attempt to compile national data on corporate farms. I suggest in my paper that these data are a severe understatement of the total.

Senator STEVENSON. Why is that? This data is not all that is available is it?

Mr. RAUP. Yes.

Senator STEVENSON. This 1968 study is the Continuing Agricultural Census?

Mr. RAUP. We have two sources of current data. One is the 1968 study by the Department of Agriculture, which was based on a survey sent to the county committees of the Agricultural Stabilization and Conservation Service. That was done, and the data were compiled and published. The summary report came out the middle of this year.

Second, we have the questions asked in the 1969 Census of Agriculture on corporation farming. These data are not comparable because definitions were not comparable, and there was a time lag. As I point out in my written testimony, I am very impressed with the fact that for the 14 States for which I now have the State summary data and county breakdowns, in nine of the 14 States the number of corporate farms reported for the end of 1969 is over twice as large as the number reported in the U.S. Department of Agriculture survey which was taken about 18 months earlier.

Now, that is too great a difference to be explained by timelag, and I think it is too great to be explained by differences in definition and interpretation.

Senator STEVENSON. How do you explain it?

Mr. RAUP. By the fact that the quality of work done on the survey in the county offices of the Agricultural Stabilization and Conservation Service varies tremendously. I can document that in my own State.

We have some States in which the county estimates were very wide of the mark. This is understandable. County records vary, as everyone knows who works with the ASCS data. Some offices are well led by experienced managers, others are badly organized. Some took the survey seriously, others regarded it as something they should ignore. That was the main reason.

There were also questions that relate to problems of definition. For example, the U.S. Department of Agriculture survey excluded corporations that held land but did not farm it, by definition. They excluded many of the corporations that operate farmland but whose type of farm product would never bring them within the purview of the Stabilization and Conservation Service; for example, Christmas tree farming in my State, or sod farming, which is an important source

of revenue—and corporate farms are quite active in the field, producing sod for householders. They missed about half of all of our poultry corporations in Minnesota, and we have the largest number of turkey producers in the United States. So to have missed them is a pretty serious omission.

May I continue? Enough of these data, and perhaps you may want to come back to them with some questions. I do want to turn to the question of the importance of land ownership as a motivating force in agriculture and in the rest of the economy.

I have suggested in my written testimony that in my judgment the most significant structural change in the United States in the 20th Century has been the decline in the proportion of people who could expect to secure a return through appreciation of the value of the property which they owned and used in their employment. I am referring to the decline of the small manufacturing firm.

This has been offset by rising participation in stock ownership, very dramatically, but still on balance it seems probable that the proportion of the population that can look to ownership participation as a source of claims on wealth has declined.

This forces us then to look more closely at the kind of participation you can get in the national well-being through the wage and salary income stream. I think that is what we see going on. People are increasingly insistent they get their share through the income stream, because it is increasingly difficult for them to get part of their participation in our national progress and prosperity through the ownership of assets.

I point out that this should not necessarily be so. There are ways to modernize the structure of ownership to permit you to participate: stockownership in business firms, ownership in variable annuity retirement plans, participation in retirement housing, in which the retirement housing is built while you are still working and at costs that are relevant when you are earning income. The rents charged when you retire will reflect the costs at the time you earned the income rather than the current rents at the time you retire.

These are ways you can participate in the national capital gain. There are many parts of the U.S. economy today where these are not realistic rights.

Senator STEVENSON. You also point out that the family farm is increasingly becoming incorporated. We also have some reason to believe that land values are going up. Isn't the corporate ownership of the family farm one means of participating in the appreciation of the value of capital?

Mr. RAUP. Yes, for those who still own.

Senator STEVENSON. Those who remain.

Mr. RAUP. Those who still remain have enjoyed very substantial capital gains. I am not talking about those. I am talking about those who are not there anymore. In other words, to benefit in that pattern you have to stay in the game, and many have found it impossible to stay in the game.

Senator STEVENSON. It has become increasingly difficult for the little fellow to participate in that form of investment as the value of land goes up.

Mr. RAUP. Exactly.

Senator STEVENSON. It increases the ease with which the wealthy and corporate owners can participate.

Mr. RAUP. This is part of the key issue with which you are dealing, sir. We have a structure of taxation, a structure of Government programs in agriculture, and other policies that are disproportionately beneficial to the very wealthy. This was not intended, and this is accidental. I don't think in any case it was the intent, but it certainly has been the consequence.

One major offender is the way we tax capital gains. Another major offender is the way we have applied the Government price support programs in agriculture, which are in effect at a flat rate, that is, proportionate to your ownership of land. This is, as I have suggested, in reality a nullification of the progressive income tax, in good part.

Senator STEVENSON. Doesn't the preferential treatment for capital gains as opposed to earned income under the Internal Revenue Code almost force corporations to accumulate earnings and make their distribution, instead of through ordinary dividends, in the form of stock dividends and stock splits, and as they accumulate the earnings they are forced also, by the Internal Revenue provisions on unreasonable accumulations of capital, to invest?

They have other motivations, of course, too. Is that one of the reasons the corporations who accumulate earnings in nonfarm activities end up investing in farm activities and the ownership of land?

Mr. RAUP. Yes, in a very complex set of relations, yes. It is also the reason why some very big corporations have invested in housing, or in other forms of urban real estate, for similar reasons. Tax legislation and other financing legislation, and depreciation practices, were very beneficial for real estate in the hands of the very wealthy or very large corporate owners.

This advantage is progressive. It is larger, the bigger you are. So that there is a momentum of aggregation that is very definitely built into our policy. It could be changed; there is nothing inevitable about it.

I intended to say something about the economies of size of large corporations, but let me just mention that I support what has been said earlier about the failure of any of our research to show overwhelming economies of size in production.

The research data do show economies of size in market power, very definitely, on both the input side, your purchases, and the output side, your control of product sales. That is where the economies of size lie. There are very few data that show that production of agricultural commodities would achieve lower unit costs if the size of farm was increased much beyond a two-man farm operation.

Senator STEVENSON. Does that generalization apply to all forms of production or would it be more applicable to production in labor-intensive industries like fruits and vegetables?

Mr. RAUP. A few months ago—in fact, 2 years ago, in testifying before one of Senator Nelson's hearings—I exempted chicken broiler and chicken egg and turkey production from that statement. I would exempt cattle feedlots today from that statement. There are economies of size in cattle feed lots, but I am beginning to change my mind on this. It begins to be apparent that well-organized small firms even in

poultry production today could probably be competitive. There is no compelling productivity reason why they have to be big firms.

So we may be overrating the productivity gains from large size even in the areas where it would seem clear there were productivity gains: poultry, beef cattle feeding, some kinds of fruits and vegetables, and in other fields.

I would like, sir, to explain very briefly how this beneficial advantage to the large firm comes about. There are good, clear explanations, and I have recently gone through the records of several very large corporate farming activities in enough detail so that I feel confident I understand what is going on.

Let me take two examples. First, a cattle feeding operation:

If there is a vertically integrated operation with a slaughter plant, several large feedlots, and a large ranch unit, then you can separate it in three segments—slaughter, feeding, and ranching. It pays this firm handsomely to operate the slaughter plant at zero profit and to operate the feedlots at zero profit and to push all the profit in the vertical chain down into the ranching unit and to lodge it in land improvement practices, better irrigation, better fences, better water supply, to some extent in buildings, and in breeding stock. You can pay \$60,000 for a prize breeding bull, have cows that will be worth twice the average value of brood cows; and in these ways increase the capital value of your land and breeding herd assets because they will be taxed at favorable rates when you sell.

You can put the concentrated profit of the whole chain into the segment of the chain in which the tax advantage is greatest.

Now that is their advantage and that is what they are doing. In several cases they are operating the packing plant at cost plus a management bonus, they are operating the feedlots at cost plus a management bonus. All the rest of the profit is put into the land.

Some of these have sold out. Many have not yet sold out, but I anticipate eventually they may because the large investors will want to sell out at an appropriate time. The only way they can ultimately realize on this is to sell the capital assets and benefits from having converted ordinary income, which would have been taxed at corporate tax rates, into capital gains, which will be taxed at a much lower rate.

The second example is in the forest products industry. Consider a very large newspaper which owns a pulpmill, a papermill, and a forest plantation. You can separate that into four or five units: first, a timber-growing firm, second, the timber-harvesting firm, then the pulp-making plant, and finally the papermaking plant—perhaps also the newspaper publishing firm.

It pays to operate all links in that vertical chain at zero profit and push all the profits into the timber plantation unit because we have special tax provisions for timber growing, to encourage private forestry, that make it possible to substantially reduce your tax bill.

So all the income of that chain can be pushed into the segment where it can earn the most favorable tax advantage.

These examples are also paralleled in the urban real estate field, but I won't go into that.

They explain why there is a tendency for large firms to gain advantages that, as I have said, are disproportionate to any increases

they may have in efficiency or any other kinds of service-related advantages they may promote.

Senator STEVENSON. I suppose the advantages of efficiency could be temporary, too; couldn't they? For example, as the concentration of ownership of timber resources or of broiler or egg production facilities continues, the opportunity for manipulation of the prices is going to grow.

Mr. RAUP. Precisely. This has already begun to happen. I used the example, and it was mentioned this morning, of tomato production in Florida. The concentration is great enough now so that the tomato producers have been able to dominate the market structure and exclude Mexican winter tomatoes.

Senator STEVENSON. If that marketing order in the case of the Florida tomatoes were set aside, what would be the effect? Would it give the small farmers in the United States a better chance to compete and consumers an opportunity to buy better American tomatoes, or would it on the other hand mean a greater influx of Mexican tomatoes?

Mr. RAUP. It is very difficult for me to say without some more detailed cost accounting studies, but my impression is that the first reaction would be the influx of imported tomatoes. I would not find that a disadvantage.

The same is true of strawberries. Commercial strawberry production in the United States is disappearing fast and going to Mexico.

Senator STEVENSON. It is also going to Cooperative Campesino.

Mr. RAUP. But not very fast. The main problem here is that we need to reexamine the areas in agricultural production where we have a comparative advantage. We cannot afford to be emotional about this.

In some kinds of stoop labor production we do not have a comparative advantage in the United States and are not likely to have with current wage rates. If we exclude the imported products, it will mean a higher price to the consumer.

At what point is it advantageous to get a lower consumer price for better quality products and sacrifice some jobs in agriculture that might otherwise go to tomato or strawberry growers, and move some people out of tomato and strawberry growing into other sectors where we do have a comparative advantage and where there are good reasons why we should continue to invest? For example, meat production.

In this sense it might not necessarily create more jobs for tomato growers in America, but it might improve social welfare and certainly benefit consumers to avoid this kind of collusive price fixing at the production level.

I expect we will see more examples of this in other crops. It is inconceivable to me that firms that control 30 or 40 percent of the product of a certain line, such as snap beans or head lettuce, will not use that market power. We have firms that do that. As a consequence, I expect to find more examples of the tomato growers, in the sense that producers will find ways to keep prices high and to restrict output or to lower quality of output. This will be a consequence of the failure to recognize the significance of the structural changes that are occurring until it is too late.

As someone has pointed out this morning, if we wait for the concentration of market shares test to be used in administering the anti-trust laws in agriculture, it will be much too late. By that time it will be virtually impossible to put back together the broken eggs.

In this sense, then, the kinds of tests that have been used in the past to measure dangerous levels of concentration of economic power in industry should not be a guide to the tests that are used in agriculture. There are differences. I don't want to be emotional or retrospective about the family farm or the benefits of a yeoman farmer population. There are still important differences in agricultural production that have to be recognized.

One is the difficulty of retracing your steps. You alluded to this with your question about the availability of land for recreational purposes for nonfarm people who want to live in the countryside. This is rapidly becoming expensive, and opportunities in some parts of the country where the demand is high are declining, because of the competitive bidding and because of the value that the speculative holdings of these lands have to very wealthy investors.

This has been encouraged by some of our property tax policies. You have, here in Maryland, at your doorstep one of the best examples in the United States in that there is preferential tax assessment on agricultural land in Montgomery County, among others. This has been used primarily by nonfarmers to permit them to buy or to continue to hold lands while they ripen to higher levels of value than would otherwise have been profitable because of the tax burden.

We have the same example in Minnesota. As a consequence, our tax policy in the property tax field has also played a role in encouraging wealthy investors to buy land, usually not for farming purposes, but on which they will conduct farming operations while waiting for it to increase in value.

I maintain that this is a poor motive for engaging in farming, and we are not apt to get good management decisions in farming if that is the motive. Owners will make strange management decisions, about investment, about replacement, about repair and maintenance of buildings, about behavior in the community. This is not a healthy motivating force to have it work in the landownership field.

I am also inclined to stress the fact that the way in which we have enforced or not enforced labor legislation has played a very important role here. I would not like this to go unreported. The fact that firms in agriculture in many cases are not subject to our various labor laws has been beneficial to the large firm, and yet farm groups and farmers have generally opposed any extension of labor legislation to agriculture. In their narrow self-interest, and certainly in the national interest, this is a short-sighted policy.

Senator STEVENSON. My impression is that they are changing their attitudes. The farm organizations tend now to favor the extension of the National Labor Relations Act, or a variation of it, to agriculture.

On the other hand, some of the small farmers and farmworkers tend to oppose the extension of laws on collective bargaining, labor-management relations, to agriculture. The United Farm Workers would not like to see the National Labor Relations Act, in its present form, extended to agriculture.

Mr. RAUP. I can sympathize with this point of view and still maintain we should try to work out a properly phrased extension of this labor legislation to agriculture. I think it does need to be altered. We do need to be very careful about the probable consequences of extending labor legislation that would only have one major effect and that would be to reduce the number of jobs. This is the same problem as with the ownership of property. It is very nice for those who get it, but many don't remain and therefore you have benefited a few at the expense of a reduction in employment opportunities.

Unfortunately, the forces that are at work on labor organizations generally tend to lead them to prefer high wages for those who remain and to be relatively less interested in the number of jobs. This is not uniformly true of all organizations or in all industries, but there has certainly been a tendency in the agriculture field for that to be true.

Agricultural labor in California was perfectly ready to sacrifice the jobs that were sacrificed by the extension of agricultural labor legislation. That did not bother them at all. They were ready to wipe those jobs out and to see the strawberries go to Mexico, which is what happened.

In that sense, then, the kind of extension that is made of this labor legislation should be tailored to the different segments of the economy and should not be done with a meat-ax technique. It would be wildly wrong just to make a blanket overnight extension of present legislation.

Nevertheless, if we permit large firms to have an advantage on the wage bill by being able to locate in rural areas in agriculture, this is certainly a guarantee that the small farmer will have additional competition. It is not related to any productivity advantage, necessarily.

There is one other point I should mention, I think. The quality of statistics available in this field, sir, is very poor, but there are some areas in which statistics are available. I wish that we could have better resources so that the data available in the land-grant universities could be made generally available to your committee and other committees.

There is a break in the communication chain.

Senator STEVENSON. Is that where the data are, in the land-grant colleges?

Mr. RAUP. Much of it. Some of the data are in the U.S. Department of Agriculture and some of the best data are in the Department of Agriculture. As you can readily understand, a man sitting in Washington is interested in many cases in one statistic per State. He begins to lose interest rapidly when you begin to quote him county statistics, because this is too much detail.

He is interested in national planning, he has to answer questions that you ask him that are relevant for the whole country. There is a tendency toward a focus on statistics at a level of aggregation in the Washington agencies that is so great that it washes out the significant interrelations.

This is specifically the case with land value statistics.

Senator STEVENSON. How would you pull it all together? Should the Congress commission the Department of Agriculture, and make a special appropriation, to pull all of the data together and give us more information than we have now? How would it be done?

Mr. RAUP. I think, sir, that the Congress in its many parts has primarily discouraged the Department of Agriculture from collecting these data. The principal reason why they have not been collected is to be found in the U.S. Congress, because there has been strong congressional pressure in the agricultural committees on the men who tried to collect such data, and several have lost their jobs and several have been transferred to other jobs.

There has been specific opposition to the collecting of data on concentration of landownership.

Senator STEVENSON. From the Congress?

Mr. RAUP. From the Congress. This can be documented, back over four or five decades. It is not my job to point fingers here, sir, but the reason why the U.S. Department of Agriculture has not made detailed studies of the ownership of farmland in America is not because they have no men there interested in that subject and not because they have no technical competence.

It is because they have been discouraged from doing it by people who control their appropriations.

This is generally also true of studies of corporate farming. The USDA study was done in the dying months of the last administration. It has not been repeated. As far as I know, there are no data or plans available for repetition of the study.

There were data included in the 1969 Census of Agriculture that will be helpful to us. We know from our own State data that much more is available and could be cited than has been cited.

It might interest you, sir, that the State legislature in Minnesota this year enacted legislation which I have here in copy, and you may add it to my testimony if you prefer.

Senator STEVENSON. We will put it in the record.

(The information referred to follows:)

SESSION LAWS
OF THE
STATE OF MINNESOTA

Enacted by the
SIXTY-SEVENTH LEGISLATURE

AT THE 1971 REGULAR SESSION
COMMENCING JANUARY 5, 1971

AND

AT THE 1971 EXTRA SESSION
COMMENCING MAY 25, 1971
TO THE TIME OF ADJOURNMENT
ON JULY 31, 1971

WITH TABLES AND INDEX

Official Publication of the State of Minnesota
State Capitol, St. Paul
Sale and Distribution by the Documents Section
Department of Administration

CHAPTER 201—S.F.No.120

[Coded]

An act relating to land used for agriculture; requiring reports from corporations owning or leasing land used for agriculture; providing penalty.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. [500.23] AGRICULTURE; CORPORATIONS; REPORT OF LANDS USED. Subdivision 1. The economy of the state and the welfare of all of its residents are dependent upon the availability of agricultural land for use by individuals and families residing in the state. Therefore, the legislature declares that it is necessary to determine the amount of land which is owned or leased by corporations, foreign and domestic, and is used for agricultural purposes.

Sec. 2. [500.23] ANNUAL CORPORATION REPORTS. Subd. 2. All corporations, foreign and domestic, which own or lease agricultural land in this state used for the growing of crops or the keeping of poultry or livestock, or which own or lease any land on which poultry or livestock are confined for feeding purposes shall, on or before March 15 of each year commencing 1972, file with the secretary of state a special annual report setting forth:

- (1) The name of the corporation and its place of incorporation;
- (2) The address of the registered office of the corporation in this state, and the name of its registered agent in this state at such address, and, in the case of a foreign corporation, the address of its principal office in its place of incorporation;
- (3) The acreage and location listed by section, township and county of each lot or parcel of land in this state owned or leased by the corporation and used for the growing of crops or the keeping or feeding of poultry or livestock;
- (4) The names and addresses of the executive officers and the board of directors of the corporation, as shown on the records.

Each report required to be filed under this section shall be verified and sworn to by the president or other authorized agent of the corporation filing it. Any person who shall knowingly submit, or who through the proper and due exercise of care and diligence should have known that any submission of information and statements required by this act are false or materially misleading, or who fails or refuses to submit such information and statements, shall be guilty of a gross misdemeanor.

Approved April 30, 1971.

Changes or additions indicated by underline, deletions by ~~strikeout~~.

Mr. RAUP. This was worked out as a result of cooperative work between the University of Minnesota and the several committees of the State legislature. I, myself, have testified before about 12 different committee sessions. Consequently, we have a law on the books now requiring the annual report of the ownership of all lands by corporations with specific location by survey description, and identification of the officers and directors.

Now, for the first time, we will be able to answer the question: "Who owns corporate farm land in Minnesota?"

Senator STEVENSON. Can you answer it now?

Mr. RAUP. Yes, approximately. But with a great deal of doubt about some areas. We know the seat of the corporation, we know where its corporate headquarters are. That is part of the secretary of state's records. We do not know where the land is located, nor do we know the acreage they control.

Senator STEVENSON. Isn't that what we need to know?

Mr. RAUP. Exactly. One-fourth of all the corporate farms in Minnesota have their corporate headquarters in the Minneapolis-St. Paul area, but, of course, their land is not there.

What we need to know is, where is this land, and what are these corporations doing? We will be able to answer that question, I hope, in another 12 or 15 months.

To the best of my knowledge, sir, no other State in the United States can give you an answer to that question.

We also have had a long history of study of land values in Minnesota, and we can give you detailed, county-by-county breakdowns on trends in land values, going back to 1914.

Senator STEVENSON. You have that now?

Mr. RAUP. Yes, sir.

Senator STEVENSON. We would like to get those figures when they are available.

Mr. RAUP. We are making an annual report. We are working on the 1971 report at the moment.

I might say that land value trends are not always what you think they are. The data that the U.S. Department of Agriculture publishes in reports that come out periodically during the year are very good, but unfortunately are not broken down any more than one statistic per State. This is a very crude indicator.

Think of our own State, sir, think of my State. We have an over ten-fold multiplier between averages of county land values in northern Minnesota and in southern Minnesota. In other words, there are counties in southern Minnesota where the county average is 10 times the average in parts of counties in northern Minnesota.

Imagine the significance of one statistic for Illinois, including Champaign County land and land in the DeKalb area and land in the southern coal mining counties.

One statistic per State is useless for analytical purposes.

We are now working on studies of the trends in county-by-county areas.

We find that through the 1940's and into the first part of the 1950's, the biggest land value increases were in the agricultural counties. Since the middle 1950's and increasingly into the 1960's, they have lost relative rank, and the big land value increases are in those counties in areas where industrialization is developing most rapidly.

The high land value increase counties are those around the Twin Cities, from Minneapolis-St. Paul, south to Rochester, east to La Crosse, west and northwest to Saint Cloud. This is understandable because the competition is not from farmers but from urban people who want rural lands, who want to live in the country.

This competition effectively extends 75 to 80 miles from the Twin Cities. The market for farmland in that circle is essentially not a farmland market any more. It is a market for farmland to sell to nonfarm people. Prices are accordingly inflated.

We have a number of counties in the second tier of counties around the Twin Cities, in which land values are in the thousand-dollar per acre range for land that would not be worth more than \$200 to \$300 per acre for agricultural use.

Senator STEVENSON. How far does it go?

Mr. RAUP. About 75 to 80 miles, depending on transportation.

Senator STEVENSON. It goes as far as 150 miles in Illinois, from the center of Chicago.

Mr. RAUP. Yes, sir. Part of your land value increase in the area you are talking about is due to agricultural productivity potentially. Some of that is very valuable agricultural land. I am talking about virtually pure sand in some cases.

Senator STEVENSON. That is what I am talking about. In Jo Davies County in the northwest part of the State, land has very little agricultural value. That is where the greatest appreciation of land values has occurred in recent years.

Mr. RAUP. In terms of concentration of wealth, there is another aspect I would like to mention. We have heard a great deal of discussion about the green revolution and the increased output of product this makes possible. Some have expressed a concern about the loss of diversity in genetic stock as a result of the green revolution, because we have total world output for major crops like wheat and rice now dependent on a relatively small number of genetic strains.

The fear is that by loss of diversity, crops will become more exposed to catastrophe such as corn blight. There is good reason to be concerned about this.

I want to point out that there is a social parallel to this in our rural communities. We have had a diversity of genetic stock in a sense, in the form of local leadership, local entrepreneurs, local risk takers, that is disappearing.

An increasingly large fraction of our population is now made up of people who have very restricted entrepreneurial opportunities. They are managers for somebody; they report up the line to somebody. We are losing an element of training, in small-scale, local training grounds for business managers, for risk takers, for people who will take a wild idea and turn it into a successful product.

I am impressed with the danger of becoming too dependent on institutionalized research in large firms, whether they are universities or private firms or government. Much of the technological advance in America has come out of small-scale firms and corner workshops.

The loss of this diversity that is associated with the decline of our small towns and with the decline of business entrepreneurship in small towns should be worrying us more than it does. Many of our farm equipment manufacturers will tell you, for example, that they spend a

very small fraction of their gross sales on research and development. They don't need to, because the farmers do it all for them, or the little country machine shops.

They buy up machine shop inventions after they have been perfected and put them on a serial production basis. That they can do well.

In several fields where concentration is high, the record of research and development expenditure is very poor. This should be one of the major arguments why we should look at concentration in agriculture very carefully.

Senator STEVENSON. I remember years ago Justice Felix Frankfurter told me that in his experience the best lawyers to appear before the U.S. Supreme Court, the most persuasive and skilled advocates, came from the small towns of America. They were the general practitioners, little lawyers in little towns that had been dealing with every kind of human problem in their practice, and they made better lawyers for the U.S. Supreme Court.

Mr. RAUP. Some of my colleagues in the technical and professional schools in the university tell me the same thing. It is certainly true that we have had a disproportionately large number of our better students from our poorer counties, from areas where our unemployment rates are now highest.

I don't advocate high unemployment rates as a producing force for good university students. I do suggest that the reaction of a system to stress is a major test of the capacity of that system, and the variety of the stress that you can put upon the system is a measure of the strength you can generate.

If you become pathologically specialized, you reduce the capacity to put the system under different kinds of stress. Therefore, you don't know what is going to happen when some unexpected stress occurs.

One of the glories of this country in the past has been our capacity to shift with rapid change, to react to stressful situations that weren't in the rule books. There wasn't any guideline to follow.

I am worrying about what happens to a corporate manager who is confronted with a new problem for which there is no company policy in the rule book. We can see examples of this type of difficulty in our industrial world today. I think this is documented in some cases in our aerospace industry and some of our military procurement and supply agencies.

I have seen technical studies that suggest that the worst thing you could do would be to put exclusive contracts in the hands of big firms, because you haven't covered yourself, hedged your bet, so to speak, by diversifying your contracting to the point where you can benefit from laws of probability in the discovery of new ways of doing the job.

This is why I am worried about specialization. When you have a well-developed technology, specialization can enable you to exploit it. Take the plantation system, which in its day had a place. Take the broiler production that we have just been discussing this morning. Take the cattle feedlots which are in question right now.

I am not as wise as Professor Gates in refusing to predict. I am suggesting that we should look very carefully at cattle feedlot investments; that we very well may see the kind of retrogressive activity on the profit side in cattle feeding that we have already seen in poultry.

I have recently driven through the Great Plains and Mountain States and visited cattle feedlots. I am impressed with how many of them are not full. If these cattle feedlots are not operated at capacity, they are very high cost. If they drop below 80 percent of capacity and stay that way for very long, they are out of business, because their overhead goes on and it is a big overhead.

They are, then, compelled to stay at full capacity. This puts them in the market as competitive bidders for whatever cattle they can get. This is not a rational pricemaking policy. It is not a rational economic process.

I suggest at the end of my written testimony, sir, that I think the real issue here is a restructuring of political and economic power that is related to land ownership. In the past that power has been rather widely diffused in the United States. The benefits from land value increases have been accordingly diffused.

Today I am concerned about the concentration of power and the concentration of the benefits, and with what will happen in terms of economic consequences to our ability to control large-scale units when they achieve levels of economic concentration that permit them to challenge Government.

We have firms in the country now that can do that. The only possible control agency is Government at that scale of operation, and some firms are big enough to challenge it.

We don't yet have a General Motors of agriculture, but we have firms in some lines in agriculture that are approaching that level of concentration.

If anything can be done, I would like to emphasize that it ought to be done, to use a medical simile, by surgeons and not country doctors. You are dealing with a very intricate system. It would be wrong, say, to ban corporate farming outright, very wrong, because many of the corporate farms are serving a useful purpose. It would be wrong to ban big farms outright also, because there is a place for bigness.

But there is also a place for a policy which would guarantee a mix of sizes that would preserve some of these values I have tried to stress, and preserve diversity, preserve lack of compulsion to move to the city because there are no jobs in the countryside.

If we can't solve our city problems by creating diversified jobs in decentralized locations, I see no possible solution for them. This is not just a farm problem; it is not just a problem of your committee, sir, and labor. It is a much larger question of total planning in a national sense.

Certainly it is a problem for rural community government in the broad sense, and that has been stressed here today.

Senator STEVENSON. How do you look upon cooperatives as a realistic possibility for pooling the resources in rural America and giving the little fellow a chance?

We have heard testimony from other witnesses about the cooperative movement, which is going through a difficult period. Some of the statements have been addressed to the unavailability of sufficient credit for cooperatives, but others stress the unavailability of managerial skills. The latter may be a greater problem than the availability of credit.

Many of the services of government, land-grant colleges, and so on,

are directed not at the cooperatives, not at the small farmworker, but stress the corporate farmer.

Do you have any ideas about what, if anything, should be done to help cooperatives?

Mr. RAUP. Cooperatives have been neglected in general, and in specific terms they have been neglected by research and by our promotional activities very generally around the country.

For one thing, the reasons are complex. It is not a simple job to assign responsibility for this. Some of the early work with cooperatives made out of the cooperative a virtual religious movement. There was a theological overtone, there still is, to much cooperative interest. This has tended to discourage scientific scholarly work in the universities.

You were being asked, in effect, to approve a value system and system of belief that was presented to you as a "giver" without being permitted to question some of the basic premises on which it rested. That is part of the answer. It tended to turn off the young graduate student who was looking for a thesis topic, for example.

You either had to subscribe to the philosophical belief or not. If you didn't, you couldn't get access to the data. You weren't welcome. This has played a significant role.

It has also turned off staff members in the universities. There is not in the United States today an active group of senior scholars working on the problem of cooperatives in any field. We have some of the best in the Lake States—I don't want to be chauvinistic, but we have some of the best in Minnesota, as a matter of fact.

Senator STEVENSON. Is the theological overtone still there?

Mr. RAUP. Yes, it is. But it has shifted ground considerably. As a matter of fact, cooperatives have gone through a phase of development in the United States that is somewhat similar to their history in the United Kingdom, in that they were set up originally by people tremendously enthusiastic and dedicated to their goals. They were supported by people who belonged, retained their membership, and continued their patronage for ideological reasons as well as for economic reasons.

This generation is passing from the scene, or already gone. The succeeding generation is apt to look at the cooperative with a very cold business eye, and belong or not belong, patronize or not patronize, in terms of the economic advantage.

In part, the leadership question that you raise is at the root of this problem, because some of the cooperatives have been very slow to be willing to pay the salaries necessary to attract the quality of leadership that they need. That is not true in some of the biggest cooperatives. Some of the best salaried jobs available to an agricultural college graduate today in certain fields would be in some of the biggest cooperatives. They have understood the value of paying money for talent.

But the bulk of the smaller cooperatives haven't; they still want to hire a manager for \$350 a month, \$400 a month.

Senator STEVENSON. It is a question of ability, as well as willingness, in many cases; isn't it?

Mr. RAUP. It is a question of boards of directors of small local cooperatives that have a sense of relative values that is a generation out of date. Also, they know what their income is and it is not good. It is very painful for some of these people who are making losses year after

year to pay the \$15,000 you need to get a good manager for a local cooperative.

I can understand that dilemma. Consolidation of co-ops is an answer, and this is taking place in some fields. It is very rapidly taking place in the dairy co-op field, as you certainly know.

Rut some forms of cooperative endeavor have not prospered in this generation. They exist at different degrees of good health around the country. The larger farm supply cooperatives are doing very well. Many of the ones that are in the best health are really not true cooperatives, in the traditional sense of the term, but are individuals or firms banded together under the cover of the Cooperative Act in order to exploit their advantages, and under any other system of organization they would be straightforward business firms.

This is especially the case with some of the California co-ops. You have medical cooperatives, for example, of doctors who can organize under cooperative legislation. This type of development of the cooperative principle has shown some growth.

In agriculture, it is a backwater in some of educational and training institutions, and in many of the business segments of the community.

Senator STEVENSON. You ventured a very interesting prediction earlier, Mr. Raup—all your predictions have been interesting—but you predicted an increase in the amount of hired farm labor in the country.

We have received a lot of predictions that migrancy might die out. If farmers continue to be displaced and the need for hired farm labor continues to increase, aren't we going to have more migrancy, more farmworkers going into the migrant stream, traveling around the country in search of farmwork?

Mr. RAUP. I doubt it. Perhaps in some cases. I am not a specialist on vegetable crop production on the Atlantic seaboard, and therefore I should be very careful what I say about that type of production. Nor am I well acquainted with the Rio Grande Valley and the California problem.

I would like to correct the misimpression that I gave. I don't expect the absolute number of hired laborers to increase necessarily, but I did suggest that their proportion of the farm labor force is stabilizing, and if there is a continued trend toward large-scale agriculture, it is reasonable to assume it might increase. Whether this would lead to more migrant labor is very questionable.

The old traditional migrant laborers that served the Corn Belt and Wheat Belt have disappeared. There were in my youth gangs of men who made the harvest in the Wheat Belt. These exist no longer. They exist in different form. They now have \$75,000 to \$100,000 worth of combines, tractors, and trucks, and move from Texas to Saskatchewan, following the harvest as migrant laborers.

Now in that sense, that kind of migratory labor activity might increase. It is numerically not a very large source of employment, but economically it is a very significant attempt to stabilize employment in a seasonal job such as wheat harvest. I see very little opportunity for this to take place in corn harvesting.

Senator STEVENSON. Isn't corn harvesting seasonal?

Mr. RAUP. The proportion of the hired labor force that is seasonal is concentrated in special areas. It is not uniform over the United

States. It is least likely to be seasonal in the Lake States, in the so-called Corn Belt States, or in livestock States.

Livestock have to be cared for daily. The seasonal aspect of farm labor supply in northern Illinois, Iowa, Wisconsin, Minnesota, is very minor except in vegetable production.

Senator STEVENSON. Will that continue to be the case if the concentration in land ownership continues?

Mr. RAUP. I think so, because the one thing that a large corporate farm engaged in livestock production would demand is a stable labor force.

Senator STEVENSON. What about corn production?

Mr. RAUP. We are reaching levels of specialization in corn and soybean production that might possibly give rise to a very seasonal pattern of labor demand. It could result in seasonality in the labor force in the corn-soybean area. It has been so profitable to put every acre in corn and soybeans that farmers have abandoned their diversified enterprises and are now in many cases unable to turn the clock back. They could not go back, at least not without very great cost, if they wanted to.

This tends to perpetuate our surplus problem, because the kind of production system we have in corn and soybeans keeps the output rolling whether we want it or not. The people on those farms are under economic compulsion to put it in corn and soybeans every year, and are relatively insensitive in some cases to price movement.

There has been a parallel development that has been very interesting. It used to be that the marginal producers were the ones that contributed heavily to the ups and downs in the cycle of supply and price.

Those marginal producers were climatically marginal. They were in areas of deficient rainfall or drought hazard.

In corn production, a most interesting thing is happening. Because of irrigation in areas of the eastern slope of the Rocky Mountains and in the western Great Plains, the most stable corn-producing parts of the Corn Belt are probably the irrigated valleys of western Kansas and Nebraska and eastern Colorado, which once were not even considered to be properly in the Corn Belt.

As a result, questions of who is contributing to the ups and downs in the surplus cycle take on a different coloration. Irrigation has tended to stabilize corn production in otherwise highly unstable areas. This means that the heart of the Corn Belt in your State, sir, is going to have to bear more of the adjustment responsibility than it had in the past.

Senator STEVENSON. Corn farmers are going through a very rough period of adjustment right now. Soybean prices, of course, are high.

Mr. RAUP. Well, your land values had risen to very high levels. There has been some retrenchment, some land value declines now in the highest priced lands of Illinois and Iowa. There has been a needed readjustment in attitude toward profits that can be made from agriculture.

I think this lies in part—and I should have said this earlier—it lies in part behind the present state of our knowledge about corporate farming. We may be just a little bit out of date in some of our con-

cern at the moment, because some of the corporate farm activities reflected business investment decisions made in the early and middle 1960's when profit expectations in farming were much rosier than they are today.

Some of the business firms that were set up and incorporated to invest in agricultural land have since gone broke or wished they had not invested. They are not healthy. CBK Industries of Missouri is in difficulty. Gates Rubber Co. found it necessary to sell out its large-scale farming enterprise in the vicinity of Wray and Joes, Colo. Some other firms are finding ways to get out gracefully if they can.

The expectation of vast profits in farming that led some investors into agricultural corporate investments is disappearing and this is weeding out the summer patriots at this point. They are not anxious to continue. That source of capital is not likely to be as easily tapped in the next 5 to 10 years as it was in the past.

How the future of corporate farming appears in America is in part a question of the expectation of continued inflation, of the psychology of boom products that had surrounded some of the new agricultural technology, and of the stabilization that you see in broilers, that I have said we may see in cattle feed lot operation, and in general that is associated with the reassessment of our economy that is now underway.

Senator STEVENSON. I am very grateful to you, Professor Raup. You have an impressive knowledge of the subject. It has been helpful to us today.

I hope if from time to time in the future you have any ideas on how these concerns which you eloquently expressed could best be reflected in our public policies, that you will pass them along.

It is perhaps more hazardous to make predictions in politics than in your line of work, but we are searching for ideas and we are going to try to adapt our public policies to the traditions which represent rural America and must be the proven stake of everybody in America.

With that, we will adjourn this hearing today with the reminder that our hearing record will stay open and we will welcome any further ideas or suggestions.

Thank you very much, Professor Raup, for joining us today.

Mr. RAUP. Thank you, Mr. Chairman.

(The prepared statement of Mr. Raup and other material related to the issues discussed at today's hearing follows:)

Some Issues Raised
By Structural Changes
in American Agriculture

Philip M. Raup
Department of Agricultural and Applied Economics
University of Minnesota

Testimony prepared for Hearings before
the Subcommittee on
Migratory Labor,
Senate Committee on Labor and Public Welfare

Washington, D.C.
November 3, 1971

The setting for this discussion is provided by the dramatic changes that have taken place in American agriculture in the past three decades. It will be helpful to review these in broad outline, as a base for subsequent analysis.

The farm population of the United States as of April 1970 is estimated at 9.7 million, or 4.8 per cent of the total population.

Using the current definition, the farm population was at its peak of 32.5 million in 1916. This was 32 per cent of the total population in that year.

In the 43 years from 1916 to 1959 the farm population was cut in half, to 16.6 million, and to 9.4 per cent of the total population.^{1/}

It required only 14 years to cut the 1956 farm population in half, from 18.7 million to the 9.7 million estimated for 1970.

^{1/} U.S. Dept. of Agriculture, Farm Population Estimates for 1910-1962, HRS-130, Oct. 1963, p. 2, and Table 1.

The rate of decline increased sharply after World War II, and averaged 4.8 per cent annually in the decade of the 1960's. The rate of decline in Negro and other minority races in the farm population was even greater. In 1960 they were 16 per cent of the farm population. In 1970, they were 16 per cent of the total population, but only 10 per cent of the farm population.^{2/}

The 1970 farm population is also markedly older. Children under 14 years of age were 31.9 per cent of the total in 1960 and 25.6 per cent in 1970. Adults 55 years old and older were 18 per cent of the total in 1960, and 24 per cent in 1970. The sex ratio continues to differ sharply from that of the non-farm population. There were 106 males on farms for every 100 females, in 1970, while for the non-farm civilian population the ratio was 92 males per 100 females.^{3/}

Decline in the hired farm labor force is another critical dimension of the structural change that has taken place in agriculture. The hired farm labor force was cut in half from 1940 to 1966, but declined much more slowly in the last half of the 1960's. The long-run decline has been approximately the same as for family labor in agriculture. With 1910-14 as a base of 100, the family labor force in 1970 had declined to an index of 33 and the hired labor force to an index of 35. Annual average farm employment in 1970 was 4,522,600; comprising 3,348,100 farm operators and family members, and 1,174,500 hired workers.^{4/}

^{2/} U.S. Dept. of Commerce, Farm Population, Census Series--ERS F-27, No. 42, August 16, 1971.

^{3/} Ibid., p. 1, and Table 1.

^{4/} U.S. Dept. of Agriculture, Farm Labor, Release LA 1 (10-71), October 12, 1971.

In the last half of the 1960's the decline in family labor was somewhat more rapid than the decline in hired labor. Those leaving agricultural employment in recent years are more likely to be members of the farm operator family than hired workers. Although trends are recent and the data subject to much error, it is at least possible that we may be witnessing a relative stabilization of the hired farm labor force or at least a marked slowing up in its rate of decline, while family farm labor seems likely to continue to decline.

There have been similar sharp reductions in the number of farms. There were an estimated 2,876,000 farms in 1971, compared to 3,962,000 in 1960.^{5/} Owing to changes in the definition of a farm it is difficult to make comparisons with earlier years, but the number has been more than cut in half since World War II.

In the decade of the 1960's the average size of farm rose from 297 acres in 1960 to 389 acres in 1971. Total land in farms has declined slowly, from approximately 1,200 million acres in 1950 to 1,118 million acres in 1971.

^{5/} U.S. Dept. of Agriculture; estimates as of January 1, 1971.

In this structure of farms and farm people, the family-type farm still predominates, in terms of numbers of farms, acres, and people employed. But its future status is in doubt.

For the mid-1960's, Professor T. Lynn Smith has estimated that in 1964 farm operator households with gross sales of \$10,000 to \$39,999 (Economic Classes II and III, in the Census definition) accounted for 21.4 per cent of the agricultural population. These he calls the upper middle class of farm operator households. Those persons in farm households with gross sales of \$2,500 to \$9,999 (Economic Classes IV and V) included another 24.6 per cent of the agricultural population. These are designated the "middle middle class" of farm operator households.

Another 21.4 per cent of the agricultural population was in farm households with sales under \$2,500. These include the part-time, retirement, and "other" types of small commercial farms, and comprise a lower middle class. Hired labor accounted for 22.4 per cent of the total agricultural population, and is designated as the lower socioeconomic class in U.S. agriculture.^{6/}

The resulting agricultural socioeconomic structure, Professor Smith points out, is no longer represented by a pyramid with a broad lower-class base and a narrow upper-class peak. It is beginning to resemble a cube, standing on one of its points. Out-migration from agriculture has cut severely into the small-farm classes; share croppers have virtually disappeared in major parts of the South; and big reductions have taken place in the hired farm labor force.

^{6/} T. Lynn Smith, "A study of the Variations in the Class Structure of Farm Society in the United States According to Type of Farming," paper presented at the 1971 annual meeting of the Rural Sociological Society, Denver, Colorado, August 26-31, 1971.

It would seem that the resulting agricultural structure is more "middle-class" and family farm focused than ever before.

The doubt that surrounds this conclusion arises from many sources, but particularly from the recent rapid growth in large and very large farms, many of which are incorporated and resemble industrial plants more than the traditional farm.

Data from the 1969 Census of Agriculture are not yet available, but some measure of the trend can be derived from data for the first half of the 1960's. Farms with gross sales of over \$100,000 dollars accounted for 16.3 per cent of total farm sales in 1959 and 24.3 per cent in 1964. The biggest increases were in farms with gross sales over \$500,000.^{7/}

These data, coupled with the highly visible appearance of a relatively small number of large corporate farms after the early 1950's, have led to serious questioning of the future structure of American agriculture. Much of the public attention has centered on the corporate farm, but it is important to note that many of the large farms are not incorporated.

No national data exist to indicate the trend in corporate farm growth. The first national attempt to measure corporate farms as a class was in 1968. In that year the U.S. Department of Agriculture estimated that there were 13,300 farming corporations, comprising 1 per cent of all commercial farms, operating 7 per cent of all farm land, and accounting for 8 per cent of gross sales of farm products.^{8/}

^{7/} Radoje Wikelitch, Our 31,000 Largest Farms, U.S. Dept. of Agriculture, ERS, Agricultural Economics Report No. 175, March 1970, Table 1.

^{8/} U.S. Dept. of Agriculture, Corporations with Farming Operations, ERS, Agricultural Economics Report No. 209, June 1971.

There are wide variations among states and regions. Florida and California had one-fifth of the total number of corporate farms. They accounted for 31 per cent of the land in farms in Florida, 28 per cent in Utah, 22 per cent in Nevada, and 19 per cent in California. In general, they were most prominent in the ranching and irrigated farming areas of the Mountain States, in the Massachusetts-Rhode Island-Connecticut area, in the Mississippi Delta States, and in the specialty crop states of Florida and California. They were least common in the Lake States and the Corn Belt, the traditional heart of the Middle West.

There are reasons to doubt the accuracy of these 1968 data on corporate farms. They are almost certainly underestimated, but this is difficult to verify. Separate and more exhaustive studies in two states, Wisconsin and Minnesota, indicate an underestimation of the number of corporate farms of some ten per cent in Wisconsin and over fifty per cent in Minnesota. The range of error among states, and among counties within states, is apparently very high. This is understandable, in view of the fact that basic data for the USDA estimates were supplied by county offices of the Agricultural Stabilization and Conservation Service. Opportunities for misinterpretation of instructions in the conduct of the survey, and for differences in definition of what constituted a "corporate farm" were, in effect, maximized.

In an effort to remedy this deficiency in reliable data on the number and significance of corporate farms, the Minnesota legislature in 1971 enacted legislation (Chapter 201, Session Laws of 1971) requiring an annual report from all corporations owning or leasing agricultural land in the state. The land is to be specified by section, township, and county, and names and addresses

of the executive officers and boards of directors are to be shown. This will at least provide current data on trends in corporate farm activity, and a base for additional study and research.

Partial verification of underestimation in the 1968 USDA survey is provided by data from the 1969 Census of Agriculture, currently available for 14 states in the Lake States, Corn Belt, and Northern Plains, plus New York, New Jersey and Pennsylvania.

A time lag is involved, since the USDA data were for 1968 (actually, from ASCS records of 1967-68) while the Census data are for the end of 1969. Still it seems significant that in 9 of the 14 states Census data for 1969 report more than twice as many corporate farms as were reported for 1968 by the USDA.

The differences in area of land in corporate farms are less extreme. For the 14 states as a whole, the Census reports 24 per cent more land in corporate farms in 1969 than was estimated by the USDA for 1968.^{2/}

These data are inconclusive and unsatisfactory. They do confirm the existence of a significant number of corporate farms, accounting for at least 16 per cent of the land in farms in the Mountain States, 12 per cent in the Pacific Coast States and in the Boston-New York area, and 31 per cent in Florida.

This explains the public interest in questions of structural change in American agriculture. Whether or not these changes should be a matter of concern is a question that can only be answered in the context of an analysis of consequences that extend well beyond the farm sector. The remainder of this paper will explore some of the key issues.

^{2/} U.S. Dept. of Commerce, Bureau of the Census, 1969 Census of Agriculture, *main summaries*, April 1971 and subsequent.

The analysis of the impact of these massive structural changes will be clearer if we review the principal ways in which individuals in America have traditionally shared in the national well-being. This sharing takes two forms. In economic terms it is a composite of opportunities to share in:

- a) income flows
- b) wealth stocks

The recent emphasis on productivity gains as a basis for increasing claims on the income flow has diverted attention from shifts in net worth, and shifts in participation in capital gains. This diversion is of major significance for all proprietary businesses and especially for agriculture.

Owner-operating farmers, small proprietary businessmen, and small manufacturing firms and industries all have assumed an opportunity to share in both the income stream and in increases in net worth or in capital gains. The Fifth Amendment to the U.S. Constitution, guaranteeing that no person shall be deprived of life, liberty or property without due process of law, has been given an implicit interpretation in the popular mind that extends it to the guarantee of an opportunity to share in the national capital gain. Throughout the history of the United States these opportunities have been widely diffused, though not equally shared. The rise of giant corporations after 1890, the revolution in retailing that came with chain stores in the 1930's, and more recently the decline in number of farms and growth in corporate farming have combined to reduce drastically the number of enterprises that share in the ownership of the nation's wealth.

The concentration of populations in fewer and larger centers has reduced the number of centers in which community-induced increases in wealth are being experienced. This has had the parallel effect of increasing the intensity of these wealth-increasing influences resulting from increasing population density.

For the majority of Americans today, the principal way in which they can participate in capital gains is through ownership of their residences. The decline in the proportion who can participate through ownership of their farms or places of business and employment is perhaps the single most important structural change in the American economy in the Twentieth Century.

In theory, it is possible to increase opportunities to share in wealth, through stock ownership in business firms, participation in pension funds that invest in equities and provide for variable-payment annuities, participation in mutual life insurance programs, and in related ways. Other methods could include participation in retirement programs in which rental rates reflect construction costs at the time when the individual earned the majority of his income, and not at the time when he retires. In fact, many people do not have these opportunities. This is especially true of those who rent their residences; those who have limited pension rights, or pension rights other than Social Security; those who have little or no life insurance; and those who have no shares of stock in business firms. In an industrial society, these are the modern "dispossessed."

The typical individual who has none of these opportunities to share in increases in wealth is the migrant or transient laborer. Not only is his share in the income stream low, but he has few if any opportunities to share in increases in the national wealth.

Farm owners, like many other small businessmen, have traditionally shared in increases in the national wealth through their ownership of real estate. This has provided a major incentive for long-term investments, in an industry subjected to high levels of economic, biologic and climatic uncertainty. It has given a needed sense of stability, and has provided an expanding credit

base that has been a major element in the ability to finance technological change.

A serious problem may arise in connection with the distribution of benefits from expected increases in land values. Dramatic changes in land values are usually associated with economic development. These result from industrialization, transportation system improvements, agricultural productivity increases, and growing competition for land for residential, industrial, commercial, and recreational purposes. These increases in land value can be a source of great benefit or great harm. If land value increases benefit a relatively small number of owners, the pattern of income and wealth distribution becomes much worse. Political revolutions and economic distortions are often associated with concentrations of wealth of this type.

On the contrary, land value increases can promote rapid development if the benefits of gradual increases in land values are widespread throughout the economy, and received by a large number of relatively small-scale owners of urban and rural lands. Anticipation of these increases can exercise a powerfully stimulating force in promoting rapid economic growth and development. The importance of this type of incentive for careful and intensive development of rural and urban lands is increased by the fact that a major part of capital gains due to land value increases is not a "real cost" to the economy, but is a "transfer payment." The land owner who anticipates a part of his reward through gradual increases in the value of his land is being "paid" in a manner that does not involve the use of scarce resources. He may be motivated to work hard and carefully in the development of his land, and be satisfied to receive a part of his reward through capital gain.

In contrast, if the farmer cannot benefit through gradual increases in the value of his land, he is denied one of the most powerful incentives for hard and careful work. To replace this incentive, he will demand a higher income, a part of which he will spend on the purchase of goods that do require scarce resources of steel, copper, aluminum, electricity, petroleum, or skilled labor. Resources to produce these goods are often scarce and expensive. This is especially the case when the agricultural structure involves plantations or large farms worked by wage labor. As a result, a system of rewards in agriculture that relies exclusively on money income or wage payments requires a larger supply of producer and consumer goods that use scarce raw materials than is necessary if a part of the incentive for the farmer can be offered through a gradual increase in his wealth, represented primarily by his land.

In a narrow sense, no man can subsist on capital gains. But he can derive from the expectation of these gains a powerful incentive for productive effort that will provide him a subsistence. It is this incentive structure that is being altered in American agriculture, as it has already been altered in non-agricultural sectors over many decades.

It may be desirable to continue with the alteration. If we do, it will be well to consider some of the characteristics of the large-scale corporate firm in agriculture that may help explain its existence, and justify its continued growth.

The most commonly heard argument for the large firm, whether corporate or not, is that only in this way can the nation benefit from economies of size. Implicit in this argument is the assumption that there are economies of size to be had. Given a history of small family-size farms and rapid technological

change, it is understandable that a part of the national folklore should include this faith in bigness.

Virtually all current studies of economies of size in agriculture have yielded the same conclusion: In all but a few types of farming, one and two-man farms, properly organized and managed, can obtain almost all of the gains to be had from size of operation, as measured by cost per unit of output.

Madden and Partenheimer, in a review of empirical and synthesized data on economies of size, conclude that one of the most important factors is the cost of coordination, or that part of management that goes beyond mere supervision.^{10/} This is one of the costs that can most easily escape control in agricultural firms, due to the dispersed nature of the production process.

Where cost of production data exist for a wide range in farm sizes, they tend to show a sharp decrease in unit costs as small sized, one-man farms are expanded and organized more efficiently. In most field crop production, the further expansion of the farm to 2-, 3-, 4-, or 5- man size may achieve an increase in total net profit, but no appreciable reduction in unit costs. Above a two-man size, farm expansion can often be justified by increased profits, but seldom by increased efficiency in resource use.

The expansion in farm size that is taking place often has other explanations. The large firm can exercise market power, both in purchasing inputs and in marketing output. This is especially the case with integrated units in which

^{10/} J. Patrick Madden and Earl J. Partenheimer, "Evidences of Economies and Diseconomies of Farm Size," The Size, Structure and Future of Farms, A. Gordon Bell and Earl J. Needy, Eds., Ames, Iowa State University Press (in press).

a producing firm owns a processing or marketing outlet, or vice versa.

Krause and Kyle point out that:

"The ability to deliver a uniform product on a year-around basis increases the supplier's ability to influence price and may eventually permit annual delivery contracts with formula pricing. . . . Very large farm units, because of amounts purchased, obtain volume discounts by purchasing agent techniques. They negotiate directly with the manufacturers, jobbers, or distributors. . . This method of purchasing often involves bids by suppliers that can substantially reduce or eliminate distributor and dealer margins."^{11/}

A related characteristic of the large, integrated firm is noteworthy. If one of the units in the integrated chain can enjoy favored tax treatment, it is rewarding to operate all other units in the chain on a zero-profit basis, and push the combined profits from the integrated enterprise into the favored segment. Several examples will illustrate this potential. Consider an integrated firm involving a cattle ranch, a cow herd, a feedlot complex, and a slaughtering plant. It will pay to operate the slaughtering plant as a producers cooperative, with only enough profit to provide some incentive bonuses for management, and do the same with the feedlots. All profits can be pushed down the integration chain, to the breeding herd, and ultimately to the ranch land (through heavy investment in land improving practices, water supply, irrigation, and other real estate improvements). These can benefit from taxation at capital gains tax rates.

^{11/} Kenneth R. Krause and Leonard R. Kyle, "Economic Factors Underlying the Incidence of Large Farming Units: The Current Situation and Probable Trends," American Journal of Agricultural Economics, Vol. 52, No. 5, Dec. 1970, p. 753.

This throws in sharp focus the question of internal pricing policies in integrated firms. As long as independent markets exist for price reference purposes, the feedlot has a basing point for its purchases from the ranch, and the slaughtering plant for its purchases from the feedlots. But what happens to the process of price formation if there are only a few large integrated firms?

This is essentially the dilemma that faces the Soviet Union, which can be regarded as a composite of large, integrated firms with the political power to affect price policy. Price loses its guiding power in directing production, and shifts in consumer tastes and preferences or in resource scarcities are imperfectly reported to production managers.

Approximately this situation prevails today in tomato production in the United States. Florida producers, with the market and political power to control a Federal Market order agreement, have used grade, size and quality specifications to exclude imported Mexican tomatoes during the winter season. Mexican winter tomatoes are vine-ripened. Florida winter tomatoes are picked green, and treated chemically to give them a red color. The American consumer is consequently eating an expensive, red, but tasteless tomato in the winter time when he could have a cheaper and vine-ripened product. This is an example of economies of large-scale production, but hardly in the sense intended in most economic discussions. The marketing order is currently being challenged in the Federal Courts.^{12/}

^{12/} William M. Bleir, "Florida-Grown Tomatoes vs. Mexico's," The New York Times, Oct. 2, 1971, p. 24.

A related example involves integrated timber product firms. Consider a large newspaper or publishing firm that owns a paper-mill, a pulp-mill, a timber-harvesting firm and a timber plantation. It is rewarding to operate the paper mill, the pulp mill, and the timber-harvesting units as producer cooperatives, i.e. rebating all profits to the unit "owning" the timber plantation. This can be done through judicious internal pricing. The profits of the timber plantation are taxed at favorable capital gains tax rates. The legislation permitting this was enacted originally to encourage private forestry, but not with this degree of integration in mind.

It is difficult to secure reliable data to document the magnitude of the price distortions and resulting unintended income transfers via the tax system. Fragmentary evidence is provided by Jerome Kretschmer, Administrator of the New York City Environmental Protection Administration who referred recently to an unidentified New York newspaper that had requested him to drop his request that recycled paper be used, because "there were capital-gains and business-deduction tax advantages in the use of virgin newsprint."^{13/}

These examples underline one of the ways in which public policy has often, and unintentionally created economic disadvantages for small business firms. It is virtually impossible, for example, to extend any aid to agriculture by preferential tax treatment. Our income tax is graduated and progressive. Any attempt to help the farmer via income tax policy founders on the fact that he seldom has enough income for tax concessions to be significant in his production planning. These concessions become significant only as taxable income increases.

^{13/} Peter Kihas, "Industry Assailed Over Pollution," The New York Times, July 6, 1971, p. 54.

Big firms have often been able to take advantage of concessionary tax policies intended to help smaller firms. In agriculture, examples are provided by tax laws permitting costs of soil conserving practices to be deducted as current expenses up to 25 per cent of gross income from farming, even though real estate improvements of this type would normally be treated in a depreciation account, or added to the cost of the land to determine its base value. Land clearing expenses could be treated as current expenses up to 25 per cent of taxable income. For either of these provisions to be attractive it was necessary to have significant income. Large farms were the principal beneficiaries.

Changes in Federal income tax legislation in 1969 removed a part of this advantage. There is now provision for a recapture of the benefits in full if the land is sold within five years after acquisition, and on a declining scale up to ten years. There is no recapture on sales after ten years. Much of the land clearing operations by large firms in the Mississippi Delta States in the past two decades were reportedly stimulated by these tax provisions.

Another example is provided by the permission for farmers to operate on a cash instead of an accrual accounting basis. This was a convenience but not an economic advantage to small farmers. It was a distinct advantage to large farm investors and non-operating owners who could afford the quality of tax consulting service required to make full use of it.

An even more unlikely conversion of what has been thought to be an advantage for small agricultural firms into an advantage for large firms is the continued exemption of much of agriculture from the full application of labor legislation. As with income tax concession, this exemption benefits primarily the large firm. If farmers are truly interested in providing a fair competitive climate in which

economic efficiency and productivity will determine the mix of farm sizes in agriculture, they will support a properly phased extension of all labor legislation to agriculture. If large or corporate farms are truly competitive and efficient we should test this under the rules that govern other similar business enterprises. Farm organization opposition to the extension of labor legislation to agriculture is one of the most short-sighted policies imaginable.

A much needed lesson in the pernicious effects of attempts to give concessions to farmers by tax policy is provided by the experience of Maryland and other states that permit preferential tax assessment of farm land near cities. The evidence is increasingly clear that non-farm land owners are the major beneficiaries. The greater the wealth of the owner, the greater the benefit, and on a progressively increasing scale.

These are examples of the kinds of policy questions that are raised by the structural changes now taking place in American agriculture. The most insistent of the policy changes that seem needed are those that support our existing system of government price support and payments to agricultural producers. By removing uncertainty in production planning, price stabilization encourages an increase in size of firm. With a given capital base, the producer can afford to take greater risks with new technology, and operate on a smaller equity-to-debt ratio, if prices are stabilized. This the government price support programs have achieved, and this alone would lead to bigger and fewer farms.

But this is not all the farm programs have done. By tying program benefits to acres and product quantities (bushels, pounds, tons) a powerful incentive has been created for the establishment of big and very big farms. By making benefits depend on the product rather than the person, government programs have encouraged pathologic specialization, and have in effect nullified the progressive income tax to an important degree.

We return at this point to our opening reflections on the importance of equal opportunities to share in the national wealth, as well as in employment and income. We have inherited the static and the institutional structure of an economic democracy which has rested on a widespread diffusion of both economic and political power. Rewards in this economy have come through sharing in the income stream, and through the right to share in expectations of increase in the wealth stock.

We are told recently that rights to share in the national well-being in the future will depend on contributions to productivity increases. This has a hollow ring in farmer ears. No major sector in the American economy has contributed more to productivity increases in the past quarter century than agriculture. And almost no sector has shared less in rewards through the income flow.

If corporation and very large-scale farms take over in American agriculture it will not be due to reasons of superior efficiency in production. These reasons are questionable at best, and of minor importance if valid.

The compelling reasons will be related to a redistribution of rights in the American economy that makes it necessary to command political power on a scale that can paralyse economic activity, in order to exact higher rewards through the income stream. It will be farm people who bring about corporation farming in America, if it does eventually dominate the rural scene. And they will do so because they have concluded that only in this way can they mobilise political power to control price and secure a share in higher incomes. But it is almost surely true that, if this occurs, the

public good will suffer. When labor and management collude in price and market dominance, we achieve private gains and public losses.

This is the key issue involved; the restructuring of political power as it is affected by rights of ownership. There is still time to influence the direction of that restructuring in agriculture, but the time is fast running out.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AFFAIRS
HARRISBURG
17120

THE SECRETARY

December 8, 1971

The Honorable Adlai E. Stevenson III
United States Senate
107 Old Senate Office Building
Washington, D. C. 20510

Dear Senator Stevenson:

The attached report may be of some value to you in connection with your subcommittee's hearings to determine who owns the land and the effect of land-ownership use and distribution on farms and farmworkers in rural America. Please, also, do not overlook the landless poor of America.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "W. H. Wilcox".

William H. Wilcox
Secretary

Enclosure

**FINAL SUMMARY REPORT, THE PENNSYLVANIA
PANEL ON RURAL POVERTY**



Milton J. Shapp, Governor
Commonwealth of Pennsylvania

William H. Wilcox, Secretary
Department of Community Affairs

*Available Separately
as
ED 07/832*

FINAL SUMMARY REPORT.
THE PENNSYLVANIA PANEL ON RURAL POVERTY

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AFFAIRS
BUREAU OF RESEARCH AND PROGRAM DEVELOPMENT

NOVEMBER, 1971

CONTENTS

PENNSYLVANIA PANEL ON RURAL POVERTY

I.	Introduction	1
1.	The problem of poverty	1
2.	Rural poverty	1
3.	Rural poverty in Pennsylvania	2
a.	Conditions	2
b.	Causes	3
c.	Proposals	4
	(1) Improvement of the rural economic base	4
	(2) Increased incomes for particular groups	4
	(3) Comprehensive approaches	5
d.	Comments	5
e.	Extractive Tax	6
4.	Relationship of rural poverty to urban social and economic problems	7
a.	Problem	7
b.	Comments	7
II.	Water	9
1.	Problems	9
a.	Public systems	9
b.	Private water sources	10
2.	Laws and present regulating authority	10
3.	Proposals	10
4.	Comments	12
III.	Sewerage	13
1.	Problems	13
2.	Laws and present regulating authority	13
3.	Comments	14
IV.	Housing	16
1.	Problems	16
a.	General	16
b.	Nature of the building industry	17
c.	Application of Federal aid programs	17
d.	Role of the 'rural slumlord'	17
2.	Proposals	18
a.	Encourage rehabilitation	18
b.	Encourage production	18
c.	Comprehensive approach	18
3.	Comments	18

V. Medical Services 19

1. Problems 19
 - a. Shortage of personnel 19
 - b. Acceptance of welfare patients 19
 - c. Out-patient services 19
 - d. Institutional facilities 19
 - e. Expense 19
 - f. Mental Health 19
 - g. Governmental neglect 20
 - h. Attitude of the poor 20
2. Proposals 20
 - a. Increasing the number of professionals 20
 - b. Paraprofessionals 20
 - c. Out-patient services 21
 - d. Comprehensive services 21
3. Comments 22

VI. Welfare 24

1. Problems 24
2. Proposals 24
 - a. Employment of recipients 24
 - b. Income maintenance 24
 - c. Local autonomy 24
3. Comments 25

VII. Education and Schools 26

1. Problems 26
 - a. Low educational achievement 26
 - b. Help for pre-school children 26
 - c. Lack of vocational training opportunities 26
 - d. Low per pupil school expenditures 26
2. Proposals 27
3. Comments 27

VIII. Transportation 30

1. Problems 30
 - a. General 30
 - b. Land development 30
 - c. Highway construction 30
 - d. Transportation costs 30
 - e. Public transportation 31
 - f. Factor in dependency 31
 - g. Kindergarten transportation 31
 - h. Quality of life 31
 - i. Economic implication 31
2. Proposals 31
 - a. Reordering of highway priorities 31
 - b. Improvement of public services 31
 - c. Concentration of development 31
3. Comments 32

IX. The Psychology of Rural Poverty 33

1. Problems 33
2. Comments 34

The Honorable Milton J. Shapp
Governor, Commonwealth of Pennsylvania
State Capitol
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

I herewith submit "Final Summary Report, The Pennsylvania Panel on Rural Poverty."

The report is an analysis of statements, with their supporting documents, made by over 100 witnesses representing a wide range of interests and backgrounds during three days of public hearings in rural Pennsylvania in June and July of 1971. Thus, the Report is not necessarily the viewpoints of the Panel or of the Department of Community Affairs; it is an analysis of the facts and opinions presented in over 1,000 pages of testimony to the Panel on Rural Poverty, chaired by Senator Stapleton, chairman of the Senate Committee on Agriculture.

Secretary McHale of the State Department of Agriculture and I served as "permanent" members of the Panel with the following officials and citizens serving as "temporary" panel members in their geographic areas of interest:

Indiana Borough, Indiana County

Representative C. Doyle Steele
Representative William Rodger Shane

Waynesburg, Greene County

Representative Ben L. Parker
Judge Glenn Ray Toothman, Jr.
Judge Charles G. Sweet
Arlo G. Swanson, Department of Agriculture

Sunbury, Northumberland County

Representative Franklin L. Kury
Mrs. Owen Anderson
William McLaughlin

The Report contains many suggested changes and improvements in State policy which justify intensive consideration by a wide range of State Departments and agencies.

v

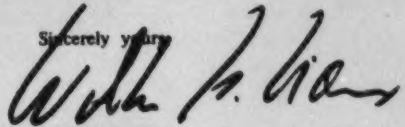
At the risk of overlooking several equally important conclusions let me cite but three which seem to stand out as calling for early action:

- (1) Water and sewer facilities need to be improved in much of rural Pennsylvania, particularly in the isolated and poverty stricken villages of the landless rural poor.
- (2) Existing public programs are not serving, in any significant way, the housing needs of the rural poor.
- (3) Medical care is fragmented, spotty and inadequate.

In each of these categories, Federal and State policies, as now administered, are failing to confront the rural poverty needs of Pennsylvania citizens. Similar problems exist in public transportation, education, and human services programs.

One final thought: At these hearings I was struck by the absurdity of an urban-rural contest for public concern and the public dollars. The rural poor and the urban poor suffer from similar indignities and neglect. They have much reason for a common cause.

Sincerely yours



William H. Wilcox
Secretary

I. INTRODUCTION

1. THE PROBLEM OF POVERTY

Poverty was defined by one witness, a planner, in the following terms:

Poverty implies a lack of resources for a reasonable living, having little or no means to support oneself. ... A low-income family pays less in taxes, but the need for services is as great or greater than the higher incomes. They have few or no alternatives in housing, recreation, transportation, or to other basic needs. They lack usable skills or a strong educational background. To segments of the community, they are the unwanted or undesirable. To the government and its agencies, they create many problems.

Another witness went further to characterize many of the poor as those who have not learned, or for physical reasons may not be able, to perform "normal" functions or to support themselves and their families; dependency is learned, and continues as a way of life. A panelist stated;

It will take eleven billion dollars to bring the people out of poverty in this nation, and I think we'd better reorder priorities.

2. RURAL POVERTY

It was stated several times at the hearings that more than half of the poverty in the U.S. is in the rural areas, while less than 35 per cent of the population lives outside the metropolitan areas.

A consultant to the State Department of Agriculture traced some of the causes of rural poverty to "Decapitalization" of young people by outmigration, a movement which represents a loss of more than \$100 billion each generation and to an unfavorable balance of payments with urban areas, a net loss reported at \$150 billion represented by the purchase of goods and services from urban areas compared with rural income.

Other causes cited, which more accurately may be part of a cause-effect cycle, are inadequate health services, inadequate educational facilities and quality and insufficient occupational opportunities.

Another witness referred to a situation of "poverty in the midst of poverty"; "The environment fosters a process that traps whole generations." A county planner stated:

Rural poverty is not dominated by farm people, but rather it is identified with non-farm population, in excess of 75 per cent.

However, the economic situation for farmers also was described as increasingly precarious, with the farm debt nationally at \$60 million, up 8 per cent from 1969 and tripled since 1960; and with farm prices at 67 per cent of "parity", their lowest level since 1933.

A report published by the U. S. Department of Agriculture included a description of rural poverty in 15 states, including Pennsylvania, which was entered into the record of the Greene County hearing. Characteristics described include relative isolation and lack of arteries of transportation and communication; long family histories of poverty and dependence on off-farm income or welfare; primary dependence, not on agriculture but on such declining industries as mining; small, uneconomic farms; low educational attainment; and outmigration of youth, and the disillusioned return of many ill-equipped to compete in urban areas.

3. RURAL POVERTY IN PENNSYLVANIA

a. Conditions

At all three hearings, a considerable volume of statistical data was introduced into the records, relating primarily to population characteristics and economic conditions in the regions centered by the hearings. Also introduced, or given directly, were several lengthy statements expressing analyses of conditions, causes and possible solutions to rural poverty in Pennsylvania. Because of the volume of this material, only brief summaries and highlights are included here. The data was submitted primarily by labor market analysts, planning commissions, or associations performing planning functions.

Several witnesses stated that the rural areas of Pennsylvania, which have only 20 per cent of the population, contain 50 per cent of the poverty. Another witness reported, (possibly from the same Community Services of Pennsylvania survey), that 13.9 per cent of Pennsylvanians were living in poverty, but the percentage for Northumberland County was 22.6 per cent. He added that rural Pennsylvania contained 30 per cent of the State's poverty, but that only 10 per cent of the poverty funds had reached the rural areas.

For Indiana County, a witness stated, the "magnitude of poverty" in 1966 exceeded that of 89 per cent of all U. S. counties; 4,309 families received incomes below recognized poverty levels, and from 1947 to 1960, total income from wages, salaries and business ownership declined considerably. Real personal income in that time increased only 16.2 per cent, compared with a State average of 41 per cent. Between 1960 and 1970, 23,000 persons emigrated from the county; for the State, the total outmigration totaled about 400,000 persons, most of them from rural areas.

In the 11-county labor market area which includes Indiana County, it was reported that a previous trend toward higher employment levels are reversing, and that by July 1972, more than 23,000 persons will be unemployed. For Armstrong County, the unemployment rate for February, 1971, was reported to be 10.2 per cent of the work force.

The Chairman quoted statistics which showed Greene County to be among the poorest: A population loss of 8.5 per cent from 1960 to 1970; per capita income about half the state average; 9.7 per cent unemployment, more than double the national average; a median of 8.6 school years completed by the adult population; and an infant mortality rate 11 per cent above national averages. Others reported a decline of 1,000 in the county's work force; 11.6 per cent of the population on relief rolls, third highest in the State; poor educational and recreational facilities; lack of a substantial labor pool to attract new employers; and declines of 46 and 50 per cent respectively in mining and agricultural employment, the two major industries. A 1966 survey showed 22.9 per cent of the families below \$2,611 in annual income, the poverty level for a rural family of four persons. This Community Services of Pennsylvania report stated: "These problems have existed for generations and have grown more intensive over the years with the decline in the agriculture-mining-based economy."

Income statistics were used to support the contention that rural poverty exists, and that it is widespread and serious in Pennsylvania. Considerable testimony, from these and other witnesses, related to the conditions associated with poverty, particularly for low-income persons and families but also as they affect the entire rural environment. Many of the more serious are summarized in later sections of this report, but the conditions generally identified included:

Poor housing and insufficient housing supply; inadequate, or complete absence of, suitable water supply and sewerage; air and water pollution; educational deficiencies; insufficient health and nutrition services; increasing drug and alcohol problems; poor and deteriorating roads and a severe shortage of public transportation; insufficient recreational and cultural facilities; a population profile showing increases in the number of the very young and very old who require the most from public institutions, and fewer persons in the productive age group because of

outmigration, resulting from extremely limited employment opportunities; this profile results in an increasing burden on those remaining in the productive population for support of services and increasing difficulty for public and private institutions in raising funds to supply even minimal services.

One witness pointed out that, for many rural areas, expansion problems may be more serious than those associated with decline, because of the increased pressure for expanded services for which there is a lag of several years in revenues; the costs fall more heavily upon an economy already relatively destitute. Also identified, in this direction, was the commuter-recreational type subdivision developments which threaten to desecrate and pollute large rural areas. The rural areas face such special problems as pollution from agricultural chemicals and solid waste pollution; different kinds of special problems include seasonal unemployment, related both to agriculture and to tourism where recreation is a major industry; and to psychological factors such as community identification and life styles which may be unsatisfied by urban-oriented assistance programs. A witness also noted that:

The rural community offers certain qualities of living not measured by incomes. Income becomes important only when the rural resident must respond to cash flow costs to support capital development and is frequently forced to liquidate land assets to meet his cost.

This statement suggests that basic, and often unnoticed, differences between rural and urban economies may make programs geared to urban development, unsuitable for rural areas.

b. Causes

Various witnesses testified as to causes of the economic decline of Pennsylvania's rural areas. These generally were related to more or less coincident declines in the major economic bases of the rural areas: agriculture, the extractive industries, and forestry.

The agricultural decline was traced primarily to the general cost-price squeeze, which has resulted in decreased farm employment through consolidation, mechanization and farm abandonment; also noted was a decline in incentive on the part of farmers resulting from low commodity prices and low farm wages and, in some cases, from poor farm management. One witness pointed out that sheep grazing, once important in Western areas, has almost disappeared.

At the same time, the depletion of coal, oil and gas deposits, mechanization of coal operations and an increasingly unfavorable market position of coal as an energy source, has left large numbers unemployed and numerous "pockets of poverty" in the mining towns. One witness described this stagnation: "There has been little or no change in some areas of this region in 150-200 years." Concerning Armstrong County, one witness stated, "Employment problems are primarily related to the decline of the stone, glass and clay manufacturing resources."

There was less testimony regarding the decline in forestry industries, but this factor is probably of importance primarily because it is a part of the general decline. No testimony was given on the possibility that other factors were involved such as the decline in employment in transportation industries, especially railroads and the proportionate increase in low-wage, labor-intensive industries in rural communities. In Indiana County, a witness noted that the construction of a generating plant provided little real improvement because much of the labor was imported, and local persons employed on the project were left with no jobs to go to when it was completed.

One witness testified to the immediate "causes" which tend to perpetuate poverty for those most seriously affected by the general decline in the rural economic bases. He included low wage levels, overstatement of estimated bills by utilities, improper management of personal finances, excessive commercial profit margins, high prices for goods and services, high loan interest

rates, partiality in the educational system, dissemination of information on aid programs only to a few, and even disinterest and noninvolvement of the clergy in the problems of the poor. Other testimony related to the practices of rural "slum landlords."

A witness noted that adjustments of rural residents in their life styles in response to conditions have included out-migration, mothers working outside the homes, and men and women commuting 100 or 150 miles to work daily. Others testified to the personal disintegration which may result from prolonged poverty and unemployment.

c. Proposals

Witnesses presented a wide range of proposals, for approaching the economic problem of rural poverty - these are in addition to proposals, summarized in following sections of this report, for improving conditions resulting from, or incidental to, rural poverty.

Suggestions for economic improvement generally may be classified into three areas: upgrading the rural economic base; improving or establishing programs to increase the income of, or improve delivery of services to, particular groups of the rural poor; and comprehensive activity aimed at total rural development. Almost exclusively, the proposals call at least for legislative action on Federal, State and/or local levels, and most represent plans for rechanneling financial aid programs or for new fund programs.

(1). Suggestions for improvement of the rural economic base included industrial, agricultural, extractive and recreational development type projects. A typical, but more specific, suggestion by the Greene County Industrial Development Corporation was elimination of the State matching fund requirement under the Pennsylvania Industrial Development Authority (PIDA) and Site Development Acts for rural areas and its replacement by a comprehensive grant and loan program for grading, utility extensions and interior road construction for industrial parks; delay of loan payments also would be permitted until the project became productive by transfer to an industrial user. Other suggestions included tax incentives and interest subsidies for commercial or industrial expansion and pilot programs under which the State would finance shell structures for industrial use.

Proposals for improving the agricultural economy also included two extensive program proposals. These were: comprehensive programs based on market analysis and crop programming; planning which involves the impact on agriculture of urban expansion into rural areas; establishment of a State farm marketing center; land inventory and land use planning at the State level; technical assistance; long-term loans and grants for rural infrastructure, housing, and solid waste disposal; and establishment of a "Pennsylvania Agriculture Development Authority," a rural development bank and farm credit system. Also specifically suggested was a farm real estate tax based on productivity rather than land value.

Proposals related to economic development, contained in other sections of this report, include those for improvement in education and transportation.

(2). Most of the testimony on increased incomes for particular groups related to economic improvement was in this category, and several of the programs entered into the record are detailed. Proposals included:

Some form of minimum income; purchase of the homes of the aging by the Federal Government in exchange for an annuity; liberalization of Social Security regulations; a universal health insurance plan; investment counseling; increases in retirement benefits to match increases in the cost of living; agencies to work with the aged in helping secure employment and services; child and youth development centers; day care centers; and various kinds of self-help and community-help programs for the aged.

The Susquehanna Economic Development Association presented a detailed proposal for a comprehensive "opportunity center" which would be:

Capable of addressing all of the problems of the client; it must have the capability to solve the problems or ameliorate them to the extent that the client can manage his own affairs in the private sector with the minimum level of help from the public sector. Obviously, this solution will require the integration of countless autonomous agencies, organizations, institutions, and government entities.

Probably mentioned most often, however, as solutions to the problems of individual poverty were establishment of (1) public service programs to provide employment, and (2) vocational training. One example of the employment project, which was the subject for several witnesses, is the U. S. Department of Agriculture's "Green Thumb" program which provides employment for older persons in rural areas. Also mentioned were the Main Stream and the Youth Corps Programs. A county planner stated:

More than anything, the rural community needs non-welfare type of aid—that which produces self help and self support products in rejuvenated citizens.

(3). Suggestions with respect to comprehensive approaches were less detailed, except for the proposals for comprehensive regional farm planning and marketing. These included the suggestion previously mentioned, for land-use planning at the State level. Another witness proposed to the same end that scattered development be stopped by the strategy of not extending roads and utilities except to specific areas, with public notice of the development plan. The Department of Community Affairs' legislative proposal for a State Land Development Agency to make use of Federal and State grant and loan programs for community development and new towns, and the proposed Pennsylvania Public Service Employment Act for Rural Development (Senate Bills 939 and 1044) were referenced as possible State programs. SEDA itself represents an area-wide, cross-community organization for comprehensive action in several fields. More lateral intergovernmental cooperation, such as councils of government, was mentioned in various contexts. The proposals for intensive pilot programs in specific areas are comprehensive within those areas. There were no witnesses representing the Appalachia program, but it was mentioned as an attempt at cooperation and program consolidation. One witness suggested a Statewide conference on rural poverty. The general approach of those recommending comprehensive action probably was summed up by the witness who stated:

... Some sort of substantial economic and industrial effort will have to be made that would serve both the urban and the rural portions of the market area if anything useful is to happen with respect to the problem.

d. Comments

A witness at one hearing commented: "This, in context, is a huge, complex problem that we face."

It is, of course, an economic problem. But while poverty in an affluent area may be primarily one of distribution of resources among sectors of the local economy, rural poverty involves the distribution of resources to entire geographical areas as well. As was quoted above, "poverty in the midst of poverty."

At least to some extent, rural poverty in Pennsylvania today represents the aftermath of the economic exploitation of the physical resources of some areas to the benefit of others, especially in coal extraction. It continues in the form of migration to urban areas which benefit from the human resources which have been financed, in the form of child-rearing and education, by rural areas; there also is unquestionably some exploitation in other forms, including labor,

commerce and capital. Meanwhile, as the hearings showed, rural Pennsylvania has many problems faced by urban areas—pollution, provision of health services, substandard housing, transportation problems, education—and some of these problems are more general in rural than in urban settings. One of the worst problems for rural Pennsylvania has been the comparative invisibility of its poverty, and these hearings have been one step in correcting this deficiency.

The hearings show that the economic gap between town and country continues to widen. As Secretary McHale said, a reordering of priorities is needed. It will not be an easy task, however, to reverse the present trends, especially since the "balance of power"—politically—already has shifted to the cities and their suburbs. The rural areas will have to expend considerable political capital to turn the tide; but there is evidence that this effort has begun.

The State has, in the past, left the geographical development of the economic base primarily to private and local initiative. However, the Department of Commerce, PIDA and the Department of Transportation may exercise some options in the distribution of program funds. The Department of Community Affairs is becoming increasingly involved through aids to local planning, councils of government, the new Pennsylvania Housing Agency, the assistance to and administration of some programs for antipoverty agencies, and in development of local recreation sites and programs; there is a prospect that more "urban redevelopment" may assist rural development, and that the desperate need for adequate housing in rural areas may result in increased State program aid for those areas.

Also evident is an effort to shift priorities of the Department of Agriculture toward the total problems of rural Pennsylvania, as opposed to exclusive emphasis on technical assistance to agricultural enterprise (as represented, in part, by the establishment of a Bureau of Rural Affairs and by statements and programs of the Secretary).

The State Planning Board, in its present work of development of a State comprehensive plan, also has been involved especially as this work may lead to a proposed State land-use plan. Many departments are in the process of revising their concepts of regional delivery of services.

Continuing communication, cooperation and consultation throughout State government will be required to meet the double problem of correcting the deficiencies which rural poverty already has caused and of providing the economic basis which is the only long-range solution. Rural Pennsylvania still has many resources, human, economic and aesthetic, to support its own recovery; the need is to provide a "helping hand" and a pattern for the best development of those resources and the equitable distribution of the proceeds.

As a witness in Indiana concluded his testimony:

Gentlemen, by sitting here today, you have opened up the proverbial Pandora's Box on rural poverty. You cannot close the lid. Your only alternative is to act. You must help us solve our problems!

e. Extractive Tax

At the Indiana and Greene County hearings a witness suggested a severance tax on minerals. One stated that at 50 cents per ton, based on 1968 coal production, a return of \$37,857,000 per year could be anticipated, and that the tax would raise the price of coal from \$9.30 to \$9.80. Most of the coal is sold to power producers who, he said, are "mostly out of the State." The other witness stated, "Right now, approximately 50 per cent of Greene County's assessed valuation is underground. We are terribly dependent on our coal, gas and oil." He suggested use of the proceeds for such local expenses as schools. At the Indiana hearing, the constitutionality of such a tax was questioned.

The question of the severance tax is related to that of assessment and taxation of underground reserves. The witnesses did not consider the important question of whether production should be taxed by the municipality or by the State, and in either case whether it should be earmarked for particular uses. A current legislative proposal before both Houses of the General Assembly would impose a tax to be used only for land reclamation, with any excess to be returned to the mine operator.

The question of constitutionality probably could most easily be solved by imposing the tax on the privilege of removing minerals (an approach used in the new income tax law, based on a history of Pennsylvania court decisions). Issues concern the political feasibility of such a tax, the level of government at which it might be imposed, the level of taxation for maximum yield without adversely affecting prices and production, and the distribution of the revenue.

The proposal should be studied as a part of the State's continuing investigation into the structure of local and State taxation, to which the Legislature, the Department of Community Affairs, and the Department of Revenue are contributing, and any proposal should be a part of, or at least compatible with, a comprehensive "reform" program expected as a result of these studies.

4. THE RELATIONSHIP OF RURAL POVERTY TO URBAN SOCIAL AND ECONOMIC PROBLEMS

a. Problem

There were references in some testimony to the interrelationship of urban and rural problems; primarily these indicated a transfer of poverty problems from rural to urban areas with migration of the poor. One witness said:

Unless our city cousins share a little more of their opportunity with us, then more and more of us in the rural areas will be buying one-way tickets for a long visit with our city cousins. Could the answer to the urban crisis not be to treat the problem at its roots in the rural areas instead of the more expensive way of treating the effect in urban areas which has not been too successful?

Another witness saw the migration problem as one of development policy, rather than the transfer of social problems:

Of major concern to society is, or should be, the impact on urban areas which the rural out-migration has had. The long range solution to the urban problems of over population has to be a stabilization of the present continuing out-migration and a reversal of the movement of people away from the large urban centers.

A second direction indicated in the urban-rural relationship is the spread of the suburbs into rural land and its impact on the rural economy. A witness pointed out that Union and Snyder Counties, counted as "rural," are among the top 15 in the State in population increase. As was noted previously, this expansion creates pressures on the rural economy for provision of expensive services which the indigenous population cannot handle; for example, a farm assessed on the front-foot basis for a sewer line.

b. Comments

The State is not "ready" for the extensive kinds of controls which would be needed

to stop either the rural-to-urban migration, or the expansion of the metropolis into the countryside, and the desirability of such controls can be seriously doubted. It is not clear that general statements regarding the transfer of rural social problems to the cities refer specifically to intrastate migration. As was noted earlier, migration probably represents an economic advantage to urban areas; holding the poor in the rural areas would not, of itself, solve their problems. It would simply hold them a while longer in isolation, and delay and intensify the final strain of adjustment.

Improving the rural economic picture could be expected to alter the mobility pattern, however; this change should be viewed as an effect of a general policy of rural economic improvement rather than a goal in itself.

The strains of urban spread into rural areas also can be lessened by the application of such programs as assistance to housing, sewer and water system construction, health care, education and transportation, as well as the movement toward comprehensive regional planning, noted elsewhere in this report.

Rural-urban social and economic interaction is a factor underlying the entire subject of rural poverty and the rural economy, rather than a "problem" to be approached by itself.

II. WATER SUPPLY

1. PROBLEMS

One of the most serious problems discussed at these hearings is a shortage or lack of a supply of potable water, repeatedly identified with poor housing and with poverty conditions generally. From the record, the problem appears most serious in the bituminous coal regions of Western Pennsylvania, and most of the adverse testimony was given at the Indiana hearing, but water supply was shown to be generally one of the critical needs of rural areas.

The water supply problem divided into two interrelated topics: The inability of existing water supply systems to provide satisfactory service, and the contamination of individual water supply sources of those not served by these systems.

a. On public systems, at the Sunbury hearing, a representative of the Pennsylvania Water Resources Coordinating Committee, an interdepartmental committee at the State level, reported on an inventory which showed 854 public water suppliers: 295 authorities, 211 municipal systems, and 348 private companies; 53 per cent of these had fewer than 500 connectors. Specific figures given at the Indiana County hearing for that county, were 23 suppliers serving 56 per cent of the population; of these, 13 had fewer than 500 customers: the average was 290.

The problems of these small companies and their customers were entered into the records primarily as specific complaints. Generally the systems are old, in many cases they have experienced difficulty maintaining good water sources, and their revenues are not sufficient to capitalize improvements, extensions, or even maintenance. One system was reported to have revenues of \$850 per month from a customer charge of \$7. A witness reported one system's water testing 2,000 ppm. of dissolved minerals, compared with a State standard of 2 ppm. One witness said:

My daughter has seven children, and she tries to wash in an automatic washer, and has to take the filter off four and five times, and she still doesn't have a rub of water. In the water you find tadpoles, leaves, roots, et cetera, and she is only one of a lot of persons down there, and they pay \$4.00, a high water bill. They have been doing this for years.

Others reported corrosion and sedimentation of home plumbing after only a few months' use. The most dramatic incident of this type water was the introduction of actual water samples from an Indiana County system.

There was repeated testimony to unannounced and lengthy service disconnections: in one case, customers were subjected to 32 days without water during a summer. Low pressure was reported because the 50-year-old mains would burst under normal pressures. In one rural community, water rates higher than those in Pittsburgh were reported; another witness stated water bills may run as high as \$10 per month or more, billed quarterly and at 10 per cent interest for late payments, described as a severe burden on the poor: others reported that where housing and water systems are under the same ownership, water service disconnections are used to enforce rental payments.

Five persons at the Indiana hearing expressed doubts that the Public Utility Commission fairly represents consumers in enforcing service standards. Others stated that the Department of Health office in Pittsburgh would not investigate, or even take seriously, complaints about water quality. Water authorities also were criticized by two witnesses for unresponsiveness because of their freedom from regulation.

We need a Department of Public Health to monitor more than the bacteria count in public water supply. The water in Coal Run that acts as both a laxative and clothing dye is considered a 'nuisance' factor. The 20-year fight between Robinson, the water company and the PUC has left Robinson with totally inadequate water pressure and questionable quality. We need a Public Utility Commission to be an advocate of the consumer.

At least two communities were reported unprotected by fire hydrants; in one case, described in detail, the hydrants were disconnected because the municipality refused to pay the per-hydrant insurance fee against liability for failure to provide adequate water for fire protection purposes.

b. Problems connected with private water sources included "hidden costs" associated with lower land prices for well-drilling and often private purification; contamination of underground water sources from septic tanks in higher-density areas; and the larger problem of acid contamination of the ground water of entire regions from mines and from unsatisfactory strip mine reclamation practices; one witness accused the State of being an accessory to such contamination because of its regulations on mine reclamation.

The fracturing of gas wells also was described as a factor in pollution from water in abandoned mines.

A more extreme case relating to private supplier was an open pond, covered with "green scum," which served as the sole source of water for 10 to 15 families.

2. LAWS AND PRESENT REGULATING AUTHORITY

The Department of Environmental Resources has responsibility over the quality of a public water supply.

The Department of Environmental Resources has jurisdiction over the quantity of public water that may be withdrawn from a stream and over the issuance of permits for public or industrial water intake and outfall structures so far as they may encroach on streams.

It issues operating permits to water companies (1905 P.L. 260; Act 275 of 1970, Section 1918-A (1)). The Clean Streams Law (1937 P.L. 1987, Article V) requires and empowers the Sanitary Water Board (transferred to the Department of Environmental Resources) to protect public water supplies from pollution.

The Soil and Water Conservation Commission, transferred from the Department of Agriculture to the Department of Environmental Resources, has coordination functions in cases where water supply is a feature of a PL 566 project.

The Public Utility Commission passes on rate structures, including quality of service of water companies (1937 P.L. 1053, Section 2; 66 P.S. 1102).

Water supply and distribution facility planning is required by the Department of Community Affairs in all Urban Planning Assistance program studies.

3. PROPOSALS

Witnesses presented various proposals for approaching the water supply problem. Despite the complaints about water authorities, such authorities were suggested by several witnesses as

the best local solutions and there were reports of efforts between authorities and outlying communities to extend water lines.

The model of the Rural Electrification Administration as a cooperative, self-help system was mentioned at two of the hearings, as a suggestion that a similar cooperative arrangement could help solve local water and sewer problems.

Various Federal agencies, especially FHA and HUD, have programs to aid local water and sewer systems, but one witness reported that these agencies have 10 applications for every one for which funds are available. Witnesses and panelists also noted that even high-percentage grant and loan programs are inadequate because the small local companies do not have the financial resources to provide the rest.

It was also pointed out that the cooperation of local governments is needed to obtain government funds, and that township boards in some cases are unsympathetic to the problems of small communities.

There is in the record an implied suggestion that the Commonwealth purchase at least one of the water companies described as providing inadequate service; the testimony indicates that the expected sale price offer would be based on capital investment and recovery of operating losses as shown on accounting records of the company rather than on the present value in view of the extensive reconstruction and expansion which would be required to provide adequate service.

More specific proposals also included a program of water bills in escrow in cases of substandard service, and more diligent enforcement by the PUC and the Department of Health.

It also was reported that some Federal grant programs are not available to communities of less than 6,000 population. A program administered by the Department of Environmental Resources, offering 25 per cent aid for communities of less than 10,000, was reported but not specified.

The only comprehensive approach presented was that of the Water Resources Coordinating Committee. The representative stated:

...we are accomplishing such specifics as a definition of public water suppliers' problems, a state-wide inventory of water suppliers, suggested changes in the organizational structure of State government, and recommendations concerning the role the Commonwealth has in the development of water suppliers.

He stated that the committee is developing a State Water Plan, to be completed over three to five years, and hopes for State appropriations in the range of \$12 million to \$20 million.

It is the opinion of many of the Committee members that a program is needed to provide seed money for rural water systems. This program should be designed to cover the engineering costs of these projects so that a solution can be developed. When the final financing is arranged and the project constructed, where possible, the seed money could perhaps be partially reimbursed thus creating an annual operating subsidy, for perhaps a five-year period, similar to the sewage treatment facility grants, to provide operational and management stability...The immediate response program of seed money would require perhaps \$1.8 million for initiation and the basic criteria for assistance should be simply a lack of funds. This would definitely be in the interest of public health and welfare.

4. COMMENTS

Especially in view of the consolidation of powers under Act 275 of 1970, which established the Department of Environmental Resources, responsibility for requiring adequate service appears divided between that Department and the Public Utility Commission. Conditions described at the hearings appear to have continued over a long period of time, and no comprehensive program of improvement seems to have been enforced, in spite of or possibly because of overlapping jurisdiction.

For immediate correction of inadequacies in rural water supply systems, coordination is needed between the Department of Environmental Resources and the Public Utility Commission to define areas of jurisdiction, standards, enforcement, procedures, and a timetable for performance.

For long range improvement, a comprehensive water plan for rural areas is needed. It is understood that the Pennsylvania Water Resources Coordinating Committee is developing such a plan.

The cooperation of all administrative departments and agencies will be needed and should be immediately available in support thereof.

III. SEWERAGE

I. PROBLEMS

A critical lack of adequate sewerage is identified as a problem in rural areas, particularly at the hearings in the bituminous coal mining regions of Western Pennsylvania. The record describes widespread dependence on outdoor toilets, open ditches of raw sewage running through smaller communities, effluent from cesspools and septic tanks rising to the surface because of impervious substrata, streams polluted with raw sewage, and even cases of houses lacking either inside or outside toilets. Statistics presented for Indiana County showed 35 per cent of housing units connected to public sewer systems, 42 per cent with private septic tanks or cesspools, and 22 per cent - nearly a fourth of the total units - using privies or discharging raw sewage directly into ditches or streams; for Greene County, it was stated that less than 10 per cent of the population is served by public sewerage. The Commonwealth Department of Health (function transferred by Act 275 of 1970 to the Department of Environmental Resources) has carried prosecution of municipal officers to various stages in an effort to enforce the provision of public sewerage. Testimony, however, indicated that because of the chronology of such enforcement, communities subject to court orders have planned or installed separate systems when it would have been more economical for them to establish joint authorities and install common systems. Testimony also states that despite Federal and State assistance programs, small communities usually affected by low personal incomes and other characteristics of a declining economy have no resources for providing the rest of the funds needed. The problem appears to be extremely serious because it is dangerous to public health, it is deleterious to the environment because it is so extensive geographically. Further, its solution is difficult because of the high costs to be anticipated in correcting it.

The problem of adequate public sewerage also was recognized as a factor in the total housing supply, because of the enforcement of State laws which prohibit construction where adequate sewerage is not available and of pertinent regulations governing Federally assisted mortgages. While this problem chiefly affects proposed commuter subdivisions, it also was described as restricting construction of suitable housing to replace substandard rural residences.

2. LAWS AND PRESENT REGULATORY AUTHORITY

Historically, responsibility and initiative for construction and financing of sewer systems in Pennsylvania has rested with individual municipalities, and most of the law regulating construction and financing is contained in the various municipal codes. Any combination of municipalities may, by agreement, construct joint systems. More recently, municipal authorities have been formed for system construction and operation. They are not subject to municipal debt limits, and are less subject to direct pressure in cases of resistance from property owners unwilling to become subject to assessment.

The first, and still an important, avenue of State involvement has been the Clean Streams Law, 1937 P.L. 1987 as amended (35 P.S. 691.1 et seq.). Enforcement powers under this law were transferred from the Department of Health to the Department of Environmental Resources by Section 20 of Act 275 of 1970. Enforcement is by orders to persons, corporations or municipalities to cease polluting streams or bodies of water. Two other statutes, the State Highway Law (Sec. 421, 1945 P.L. 1242, 36 P.S. 670-421) and 1929 P.L. 1586 (36 P.S. 2621-3), prohibit the discharge of sewage within the right of way of any State or public highway.

The Sewage Facilities Act, 1965 P.L. 1535 (35 P.S. 750.1 et seq.), gives the Department of Environmental Resources (transferred from the Department of Health by Act 275 of 1970) the power and duty (Sec. 3) to adopt

standards for construction and installation of community individual and community sewage disposal systems and standards for construction, installation and maintenance of community sewage treatment plants

and requires (Sec. 7 (a)) that

No person shall install an individual or community sewage disposal system or construct any building for which an individual or community sewage disposal system is to be installed without first obtaining a permit indicating that the site and the plans and specifications of such system are in compliance with the provisions of this act and the standards adopted pursuant to this act.

The act requires enforcement by local governments, and by the Department if the local governments fail to act.

The State is authorized to pay annually to each municipality, authority or school district which is in compliance with the Clean Streams Law, 2 per cent of the net cost of construction or acquisition of sewage treatment plants (1953 P.L. 1217 as amended, 35 P.S. 701 et seq.). The Sewage Facilities Act provides for State payment of one-half of the local cost of planning and surveys for sewage disposal systems, and for one-half the cost of enforcement of the act, to the municipalities.

Under the Federal Water Pollution control Act (33 USCA 1151 et seq.), the Federal and State governments together may provide up to 80 per cent (55 per cent Federal, 25 per cent State) of the cost of sewage treatment plants, pumping stations and major interceptors. The Pennsylvania Department of Environmental Resources and the Federal government have agreed on a 60 per cent formula: The Federal share ranges from 40 to 55 per cent, with the State making up the difference under the Land and Water Conservation and Reclamation Act (Act 433, 1967 P.L. 996, 32 P.S. 5101 et seq.), from the annual appropriation under the \$500 million bond issue.

The Housing and Urban Development Act of 1965 (Pub. L. 89-117) provides for Federal funding of up to 50 per cent, up to \$1.5 million, for the collection system for a regional sewerage project; under Community Facilities, the Federal Government may grant, through the State Department of Commerce, 50 per cent of the cost, up to \$50,000 of the development of basic public water and sewer facilities for a community of 5,500 or more.

Additional assistance, both grants and loans, in negotiated amounts, is authorized under various programs by the Farm and Home Administration, based on need, and through the Appalachia program; in both cases, assistance is contingent on qualification for Federal participation under some other program.

3. COMMENTS

The combination of enforcement authority and grant programs currently available would appear to constitute an effective system for correction of the deficiencies in sewerage systems in rural areas. Over an extended period, they may. The principal complaint, however, repeated particularly in the hearings in the Western counties, is that the municipalities do not have the

financial resources to pay even their limited local share, especially for small communities with perhaps 200 residences and seriously affected by a high incidence of poverty. The complaint also was expressed that the Department of Health (transferred to Environmental Resources) has enforced compliance under the Clean Streams Law at different times for nearby communities, resulting in the construction of separate facilities when a joint program would have been more economical.

The Department of Environmental Resources has greatly increased its enforcement activity, primarily under the Clean Streams Law to require construction or improvement of municipal, private, and institutional systems, and under the Sewage Facilities Act to prevent the development of several large commuter subdivisions in rural areas where sewer systems were not provided and soil conditions made septic tanks unsuitable. A serious problem, developing with the enforcement of the latter law, and pointed out at the hearings, is that enforcement may preclude the construction of replacement housing in rural areas where there is no public sewerage. Thus, enforcement tends to perpetuate the conditions of substandard housing.

Because of the extent of the sewerage problem, massive amounts of federal and state funding will be required to correct it. Since the greatest need tends to coincide with the most serious problems of rural poverty, and the least likelihood of local initiative, a continuing program of enforcement by the Department of Environmental Resources, combined with maximum technical support and financial assistance by the Departments of Environmental Resources, Community Affairs, Agriculture and Commerce on a coordinated basis, must be developed to ameliorate those conditions. Federal support, e.g., Farmer's Home Administration, must be more responsive to meeting rural needs and the State should actively promote such needs with the Federal government.

IV. HOUSING

1. PROBLEMS

a. General. The difficulties associated with providing adequate housing for the rural poor, as described by witnesses, are complex. The witnesses generally were planners for public and private organizations and agencies, VISTA volunteers who have worked in housing programs and, in some cases tenants who described their own problems.

At all three hearings, housing conditions, particularly for the poor, were described as seriously deficient both in severity and in scope. A typical witness reported, "Housing conditions here are as bad as any which can be found in a large city ghetto". Specific reports included:

Central Pennsylvania - The Susquehanna Economic Development Association reported "a larger percentage of substandard housing in Central Pennsylvania than in urban centers".

Washington County - A Department of Health survey of one village gave housing an over-all grade of "D" which represented severe deterioration and lack of facilities, primarily structurally deficient and lacking bath, toilet and hot water.

Greene County - A survey showed 35 per cent of the housing in the county substandard. A research planner stated: "The amount and severity of poor housing in the open country, in small boroughs and townships, and in Waynesburg is staggering". The vacancy rate is 1 per cent; the need was reported for 600 new housing units. According to a Community Services of Pennsylvania survey 15.4 per cent of the 11,585 occupied housing are without adequate plumbing. Of the children in the Burgettstown Head Start Program, 67 per cent come from homes without in-door plumbing facilities and 49 per cent from houses either cold or no running water. Similar conditions exist for the children in the Sugar Grove Head Start Program.

Indiana County - One-third of all houses were described as unsound, and one-fourth have no indoor plumbing. From 1960 to 1970, the total housing available declined 12 per cent, and the supply of housing available for rent at \$60 or less decreased 30 per cent. The County planning commission in 1968 recommended that 1,500 to 2,000 low-cost units be built; only 24 units have ever been built.

The general shortage of housing, combined with the deteriorated condition of existing housing, creates a situation favorable to gross over-pricing of all housing including substandard units, and continuation of deteriorated units on the market. Reported rents for substandard housing ranged up to \$150 for a six-room house. The situation also tends to be self-perpetuating because it inflates the prices of run-down housing beyond the means of families who would rehabilitate them, and tends to shrink the for sale market because the rent structure favors retention of these units by the landlords.

The housing situation was reported especially critical for the elderly, many of whom must live alone in inadequate and even dangerous quarters when they should have at least minimal attention.

The one large landlord (700-800 units) who testified admitted that about one-third of the units owned by his firm were in poor condition, but claimed that the interplay of property taxes, mix of good and poor units owned, and tenants' behavior made it uneconomic either to sell individual units or rehabilitate them; he claimed ownership was unprofitable, but said he was holding the units awaiting lot sale to a large-scale purchaser.

Some rural counties were reported to have made progress, especially recently, in taking advantage of programs for construction of housing for the elderly and for low-income families. Mentioned particularly were Jefferson, Clarion and Greene Counties which have a record of several units built and occupied, and more in the application stage. In Indiana County, however, the Housing Authority was criticized by several witnesses and panel members for its poor record of units constructed, lack of current programs, and resistance to appointment of a full-time director offered by the county commissioners.

Over-all, it was reported by a Department of Community Affairs official that the State has about 75 non-profit corporations and housing and redevelopment authorities; that these together have 6,000 units under contract; that \$6 million in "seed money" provided by the Commonwealth has produced \$84 million worth of assisted housing, including units in the planning stages, and that about 20 per cent of this housing is in smaller communities. However, he stated that "need" is a difficult distinction when used as a criterion for ruling on applications.

b. The nature of the building industry. The industry is primarily comprised of small, limited-production entrepreneurs and the dispersed rural market makes it difficult for this industry to meet the needs; one planner indicated a lack of skilled manpower in quantity production systems. One result is that rural people, with generally low or modest incomes, cannot afford conventional housing at current prices, and a power cooperative representative reported that 60 to 70 per cent of new housing is mobile homes. Meanwhile, much rural housing in existence tends to be large, old houses which are uneconomic for older couples or for purchase by young, small families; costs also force the year-round use of units designed as seasonal dwellings.

c. The application of Federal aid programs. Subsidy approvals were described as discriminatory, with most going to urban areas. Potentially active housing authorities in rural areas were described as unable to approach the demand because of delays, "red tape", the requirement for a Workable Program which municipalities must provide and finance, claimed inefficiencies in the new Pittsburgh regional office of HUD, and soaring construction and financing costs. It was reported that non-profit corporations are at a disadvantage because of the lack of professional staff, and that they may be victimized by professional packagers who take excessive percentages for their services. Also at the local level, problems were found in lack of knowledge of financial assistance available, lack of appreciation of the need for programs, and lack of leadership. Local governments were criticized for laxity in code enforcement which would keep substandard units off the market; conversely, another witness stated that condemnation of structures was useless because there were no alternatives. The Indiana County Housing Authority was particularly criticized for failure to advocate housing programs and for resisting offers to provide it with a full-time director.

d. The role of the "rural slumlord". The general lack of housing encourages retention of grossly substandard units at inflated rents; unreasonable and possibly illegal rental contracts; refusal to rehabilitate or repair (one tenant reported the landlord even refused to act when an entire room collapsed in the house she had occupied for years); refusal to sell any units to potential purchasers who could afford do-it-yourself improvements but could not afford to buy. It was also reported that "slumlords" are not totally responsible; successful farmers often buy up adjacent, unsuccessful units and rent the old farmhouses which often lack basic facilities. Housing for migrant labor was described as a separate serious problem; besides its condition, the shortage of such housing was described as a hindrance to the rural economy in limiting the amount of migrant labor available. Professional landlords were described as purchasing only substandard housing, and were accused of raising the rent if a tenant made substantial repairs himself. The poverty tenant, faced with few or no housing alternatives and dealing on an individual basis with a large-scale owner, often is forced to accept substandard conditions, at rent levels considerable above monthly costs for purchase of a decent home.

2. PROPOSALS

As one witness pointed out, the problem of rural housing must be approached from two major directions: Upgrading existing housing, and increasing the supply of new housing. Specific proposals included:

a. Encourage rehabilitation by Federal, State and local government programs, authority and inducement. Recommended were greater involvement of Federal and State governments in rehabilitation programs, rather than concentrating on new projects; protection of housing consumers by maintaining standards at least equal with FHA requirements; loan programs for low-income families to help them repair and improve their property (FHA funds for this purpose were described as too limited); extend the rent-in-escrow law to include boroughs and townships (advocated by several witnesses) and extension of the law to include utilities where service is inadequate; increased code and zoning enforcement; and rural renewal and rehabilitation as a separate major program (one example, housing rehabilitation by the Youth Corps).

b. Encourage production of housing, to meet urgent and special need of rural areas. Recommendations here included rewriting of programs to channel increased shares to rural areas; expand programs to aid persons living outside project housing - for instance, small new homes for the elderly with caretaker service provided - and expand programs involving home ownership to satisfy the life-style of rural residents; relax HUD requirements which make it impossible for the elderly to retain the proceeds from the sale of their own homes and still be eligible for public housing; provide tax incentives to landholders who sell to non-profit corporations for housing at nominal cost; and change the State "seed money" loans to outright grants.

c. Adopt a comprehensive approach to the rural housing problem. Suggestions in this category include establishment of regional low-income housing development corporations which would operate on a sufficiently large scale to provide needed funds and expertise; a major, concentrated (pilot) program in one area of acute need; administration of grant programs through separate quasi-government corporations to minimize local resistance to State "interference"; cooperation in providing housing by area Councils of Government; organization of a county housing authority as a non-profit corporation so it can use more than one source of Federal assistance (Bucks County); general programs to educate local leaders, the elderly, service agencies, and concerned youth as to the needs of their own areas, and the programs now available; development of industrialized housing technology; and Federal and State participation in promotion of new towns.

3. COMMENTS

As presented, the rural housing problem is serious and extensive; it is closely related to problems of physical and mental health, to the inadequacy of water and sewerage services, and to the general economic conditions of rural Pennsylvania. At least in one county planning for housing appear to be a function not of any public body, but of a few large-scale landlords.

While a variety of approaches was suggested, most involve the investment of considerable money, and most of this from Federal and State Government sources; generally, they call for a re-ordering of priorities in the application of housing programs. Some relief is suggested, however, by exercise of local government authority in enforcement of standards, and in greater awareness of the need for, and advocacy of, public programs which may be available.

Special areas of activity in rural housing improvement involve the Departments of Agriculture, Health, Welfare, and Labor and Industry; but most of the responsibility for program drafting, direction and assistance rests with the Department of Community Affairs, in cooperation with local and regional planning agencies, housing authorities, government officials, and volunteer and non-profit corporations and agencies.

V. MEDICAL SERVICES

I. PROBLEMS

Inadequacies in the delivery of medical services in rural areas generally, and to the rural poor in particular, were identified by witnesses at the hearing as being among the critical and most pervasive problem areas. Except for one physician who testified, witnesses generally represented nonmedical, assistance and advocate agencies. Specific deficiencies reported were:

a. A shortage exists of medical personnel, particularly physicians in general practice. This includes an actual net loss of physicians in practice in at least one area, a high percentage of older doctors in limited practice, and a shortage of younger doctors willing to go into family practice. One county reported 17 physicians, three on limited schedules, and one hospital to serve 110,000 residents. A survey in one county showed 22 per cent of families had no family physician. However, as the physician testified, such statistics may have limited application because patients will travel across county lines, and past several physicians' offices, to the one of their choice. Also reported was a shortage of public health nurses, where any such service is provided at all, the pattern appeared to be one or two visiting nurses for an entire county.

b. Possibly related is the unwillingness or reluctance of some physicians and dentists to accept patients presenting a "DPA" (Medical Assistance) card. One witness reported a sign in a physician's waiting room, "No more DPA patients will be accepted," and the recurrence of this kind of testimony at all three hearings indicates that the policy is sufficiently widespread to constitute a serious problem. One reason appeared to be that payment to the physician, on such claims is slow, and is less than the normal charges for services.

c. A serious shortage of out-patient services exists. Frequently mentioned was the well-baby clinic program, described as being so understaffed that there were long waits for services; so organized that repeated visits, over months, were required to complete immunization schedules; and so dispersed that transportation was represented as a major problem. As a result, it was reported that in one case 75 per cent of the children scheduled missed the clinics; in another, a Head Start health screening program identified widespread dental, visual and speech problems, and a high incidence of anemia, which otherwise would have gone undetected until the children were in school. Also identified were a need for prenatal care, especially among the poor, and unavailability of family planning information; it was stated that some physicians will not provide contraceptive information and devices to welfare patients, compounding the entire problem.

d. Institutional facilities are in short supply. This involves not only the scarcity and wide geographical distribution of general hospitals, but also insufficient convalescent rest and nursing homes, institutional facilities for the mentally retarded, and inadequate first-aid facilities, (the latter mentioned particularly in cases of serious mine accidents).

e. Medical care is expensive. The economics of providing medical services is related to all of the problem areas, but was pinpointed in the hearings in terms of the cost of hospital care (\$60 to \$120), of nursing home care, and of medicines and drugs which by itself makes them practically inaccessible to the poor. The problem was repeatedly stated, for instance, of cases where diagnosis and prescription is of little use because the patient cannot afford to buy the medication.

f. Mental health programs are inadequate. Several witnesses considered mental health as being one of the most neglected areas in the rural health picture. Witnesses pointed out a close association between mental problems and poverty as tending to reinforce each other; the

interrelationships between general health care and mental health, and with general housing and environmental conditions; the relationship between mental problems and retardation, and the lack of prenatal care and the lack of adequate nutrition of preschool children. A witness reported that a 1963 survey in Fayette County showed alcoholism the most serious mental health problem.

g. Governmental neglect of health service delivery was cited. The role of government in provision of health services was addressed directly in relation to (1) inadequacy of the benefit program for miners afflicted with "black lung," a program recently taken over by the Federal Government and described as much improved since that time; (2) failure of some counties to establish health departments; (3) inadequate coverage and services by the State Department of Health; and (4) difficulties in finding county, State and Federal funds to continue a pilot mobile clinic program.

h. The attitude of the poor is significant. This was expressed as a distrust of any person connected with a government program ("They think you're out to get what they have"); a feeling that services are not available to them, or ignorance of available services, which prevent them from seeking help; and failure to continue self-care, such as a family who would not urge their children to wear glasses provided through a school program.

2. PROPOSALS

Various witnesses, including representatives of advocate organizations for the poor and a representative of the medical profession, offered a wide range of suggestions for potential improvement programs. The solutions proposed did not necessarily provide direct answers to all of the problem areas; most represented expansion of pilot programs, importation of programs tested or proposed in other states, or implementation of programs under study but not yet tried in Pennsylvania. These include:

- a. Increasing the number of medical professionals by:
 - (1) Encouraging young physicians to enter practice in rural areas by excusing student loans to those who maintain such practice for five years after graduation.
 - (2) Establishing a substitute internship program for graduate medical students, who would enter family practice in place of their hospital residency requirement (under study by the University of Pennsylvania Medical School).
 - (3) Assigning military physicians to needy areas by the Federal Government.
 - (4) De-emphasizing specialization in medical schools.
- b. Establishing a system of paraprofessional medical service.
 - (1) Under the program proposed by advocate agencies, nonprofessionals would be trained to perform simpler and routine services under indirect supervision of physicians. These would include diagnostic testing and screening, home health services, and administration of some medication. They would perform at the "neighborhood" level, and could help detect and prevent some of the problems which aggravate the poverty syndrome. (One witness observed that if paramedics did half a physician's work, they could effectively double the number of physicians.)

- (2) A variation in the use of military veterans trained as medical nonprofessionals in a similar civilian program. This is in recognition of great efficiency achieved in the military services by training and using enlisted specialists in routine testing and medication.

c. Extending the capacity and coverage of out-patient services.

- (1) Establish well-baby clinics in small communities, or extend the hours and available facilities of those in larger centers and provide for transportation to those centers. (It was shown indirectly that Head Start, specifically in Washington County, was providing a diagnostic and referral service and that its experience indicated the present clinics are falling short of reaching the neediest children).
- (2) Extension of the program of mobile clinics. The Cambria County pilot had operated for two years with OEO, 72-AID, Health Department and county funds; it was the only one in the State equipped to give direct medical service, as opposed to diagnostic screening only. It cost \$30,000 per year, but was in danger of being discontinued for lack of refunding. It was staffed by physicians part-time and by a medical secretary full-time. It was suggested that the facility be tied administratively to a hospital to assist its funding posture.
- (3) Improve in-home health care: Increase the number of visiting nurses, and raise their fee from \$4 to \$10 per visit; use paramedics (Item b above) as home health visitors; as a corollary, depend less on volunteers (described as unreliable) and on other program services (for instance, Meals on Wheels) as home visitors to the ill.
- (4) Extend public welfare payments to cover medicines and drugs, by honoring medical cards for medicine purchases and/or issuing "medicine coupons" to those economically eligible in a program similar to the food stamp idea.
- (5) Increase the scope of the prenatal clinic program, both to improve the mental and physical health of the children and to provide family planning information and devices.
- (6) Expand the system of regional medical centers. (A new center in the Mon Valley was praised as a good example).
- (7) Expand and integrate screening programs. Notable examples mentioned were a Washington County program which handled 10,000 persons the first year and 25,000 the second when a transportation program was added; and a church-sponsored "Health Fair". Described as a particular need was a screening program for rubella to prevent birth defects.

d. Expansion of health services on a comprehensive basis.

- (1) Increase involvement of educational institutions and public education programs. This includes various specific proposals: All-day schools (Detroit example) to meet health and nutritional needs of children; public health education programs, development of a homemaker's program as a support to adult health education, and a series of newspaper articles ("Hot Line") which explained availability of services.

- (2) Increase involvement of county, State and Federal governments. Again various specifics were suggested, or beginning programs were mentioned: Establishment of county or multi-county departments of health in rural areas, funding of mobile clinics, a Department of Agriculture contract for \$97,000 from harness racing funds for 3,500 diagnostic screenings the first year, and automatic "black lung" benefits for anyone who has worked 15 or 20 years in the mines.
- (3) Increase the available institutional facilities, especially for the mentally retarded and nursing homes, and tie nursing homes administratively to hospitals or medical centers.
- (4) Plan health services on a comprehensive basis. Separate suggestions included the establishment of regional health councils as the basic planning units for services; and the merger of programs for the aged and mental health programs into a single program of health services. The Susquehanna Economic Development Association (SEDA) reported that it has been designated a Special Health Demonstration Area and has established the Central Pennsylvania Health Council to plan a comprehensive health system for its area (eleven counties) and is eligible for \$2.5 million in Federal funds for this program.

3. COMMENTS

As described at the hearings, the availability of health services in rural areas appears to be marginal generally, and totally inadequate for the rural poor. The multiplicity of both complaints and suggestions indicates serious fragmentation of health service delivery; it is possible that this fragmentation may be the most serious single problem. There was no objection to most of the specific suggestions, but a representative of the medical profession expressed concern over the paramedical proposal in connection with licensing and the potential threat to doctors of malpractice.

While the efficiency of delivery of health services seems entirely the concern of the Department of Health, in fact the Department of Community Affairs is involved through health-oriented programs funded by Antipoverty programs (the mobile clinic, Head Start, and Community Action Programs which include health centers), through its responsibility for local government delivery of services, and through its support of and involvement in county and regional planning. The Department of Welfare is directly involved with relation to issuance of medical cards and payments for services, with relation to its administration of mental health programs and operation of the State's mental hospital system as well as the State general hospitals; and with relation to State assistance in the operation of county homes and hospitals.

Comprehensive health planning, therefore, must intimately involve these departments, in addition to county governments, planning agencies, regional health councils as they exist or may be formed, the professional health associations, and the various volunteer health organizations (TB, Easter Seal, Cancer, Heart, etc.). Each of these is involved in specific kinds of health service delivery; a comprehensive program is needed to coordinate their efforts and to close the gaps.

The improvement of health services for the poor was described as economically important and even beyond its humanitarian urgency. Various witnesses expressed this viewpoint: One

reported that the cost of rehabilitation for one child, handicapped by maternal rubella, ranges from \$40,000 to \$120,000. Others stated:

These people will be a burden on society for the rest of their lives because of their health conditions.

Healthy citizens are less likely to become poverty stricken than sick people.

Their conclusion was that avoiding the present expense of a complete health service only increases the long-run costs.

VI. WELFARE

I. PROBLEMS

Testimony by several witnesses indicated that lack of local autonomy and extensive administrative red tape have resulted in an inflexible and poorly controlled public assistance program in Pennsylvania. Reports that Pennsylvania had paid \$12.5 million of assistance to people who were not eligible (through double or even triple payments) and that some college students were receiving food stamps regardless of their parents' financial status were used to illustrate inadequacies in the delivery system.

Testimony was presented by a mother of eleven children, including a mongoloid child requiring extensive medical care for heart and respiratory ailments, who lost her eligibility for public assistance and food stamps when she accepted employment at a school for exceptional children, because her income was twelve cents a month above the maximum for eligibility. It was felt that effectiveness of the public assistance program was severely hampered by inflexible income limitations with no discretion invested in local authorities to handle extreme hardship cases.

Criticism of the size of public assistance grants was presented by one witness, a director of a County Board of Assistance. He pointed out that although public assistance grants are not determined at 100 per cent of the established cost of health and decency, to his knowledge this standard has not been adjusted since 1959 despite the fact that Pennsylvania's Public Assistance Law specifies that every two years a study will be made to determine the minimum cost of health and decency.

A representative of the Nutrition Aid Program presented several problems inherent in the food stamp program. She testified that many people do not purchase food stamps because by the time they buy in the block amount which must be purchased, they do not have money left for incidental necessities such as washing powder, soap and toilet tissue which may not be paid for with food stamps. She also stated that those who do purchase food stamps frequently bootleg them (although this practice is illegal) in order to get the goods and services they need. The food stamp program also has its drawbacks for the elderly, many of whom do not purchase the stamps because then don't eat enough in the course of a month to make the initial investment worthwhile and, if the initial investment in food stamps were made, they would have insufficient money left for medicine.

While there were incidental references to welfare throughout the hearings, little testimony directed to this problem was given beyond the presentation of statistics as to the number of persons receiving public assistance. This data was primarily an indicator of the extent of rural poverty, rather than a program for improvement.

Problems in finding employment for public assistance recipients who are able to work and in preparing these people for employment were presented by several witnesses. Many apparently employable recipients have such poor reading and writing skills that they are unable to complete an employment application or present themselves to an employer for a job interview. A majority of the young people handicapped by lack of education have no way of obtaining employment skills, since in many rural areas there are no sheltered workshop facilities and no agencies dedicated to the placement of these less than fully employable people.

2. PROPOSALS

a. Employment of recipients

- (1) Require all public assistance recipients who are eligible to work to be put to work in order to receive their allocation.
- (2) Public works projects (sheep raising, Transportation Department, Environmental Resources).

b. Income maintenance - Federally funded on scale basis to encourage people to get off public assistance and get jobs. Would eliminate red tape.

c. Local autonomy - Vestment of authority with county boards to adjust programs to fairly accommodate cases of special need, and more flexibility to permit approaches which would be likely to reduce future dependence.

3. COMMENTS

Many witnesses mentioned the welfare situation, and several gave specific testimony but without approaching the whole issue of what is wrong with the entire public assistance system. The welfare problem is growing rapidly throughout the State and Nation and cannot be approached specifically as one of rural poverty; however, the hearings showed that welfare is far from just an urban problem. Welfare reform is currently a matter of intensive legislative concern in Pennsylvania; the difficulty of arriving at a workable solution is indicated by the relative lack of suggestions despite the extent of the problem.

The impact of possible legislative changes is uncertain at this time, as indeed is the fate of the legislation itself. Certain administrative changes within the Department of Public Welfare have been initiated. Even these, however, will not achieve desired results in the absence of an overall, comprehensive approach to the delivery of human services.

VII. EDUCATION AND SCHOOLS

1. PROBLEMS

Testimony concerning education and schools in the poverty hearings focused on several problems including:

a. Low educational achievement and verbal skills. The problem of illiteracy is one of the major components of rural poverty in Greene and Washington Counties. Many Washington County persons with whom a board of assistance case worker deals "have poor reading and writing skills and are unable to complete an employment application" and some cannot read the form to sign up for unemployment compensation.

In Greene County, for example, the median school years completed by its citizens was 8.7 in 1960 as compared with a corresponding state median of 10.2 years. Only 29% of Greene County's population had completed secondary education in 1960 as compared with the national figure of 41%.

b. Lack of education help for pre-school children is a serious problem. In Clarion County welfare was termed a way of life for some families but the opinion was offered that children could be helped to change their attitudes and general outlook on life to escape the welfare cycle if helped, especially during pre-school years. Indiana and Northumberland County witnesses echoed this statement, emphasizing the fact that the first five years of age are probably the most important years for a child to be helped and that our priorities in education are backward, that money spent in early childhood education would eliminate much of the more expensive costs of remedial education, agency support and institutional care.

c. One of the most frequently voiced complaints was the need for skills development to become gainfully employed. Indiana and Clarion County witnesses cited the lack of training for both high school students and adults for employment. Persons in low income families were described by a representative of the Indiana County Planning Commission as lacking "salable skills or a strong educational background" and he concluded that with 4.7 per cent of the labor force not employed plus those persons not registered with the Bureau of Employment Security a greater effort must be made to train men and women in salable skills. A witness from the Indiana County Commissioners stressed the fact that not everyone can go to college nor is everyone a potential college student but each person does have talent which the vo-tech schools can help develop. The vo-tech schools can turn out people who are not only productive but make more than an average wage.

d. Low per pupil expenditures by school districts. In Greene County the educational system, although reported as having many new facilities with the outward appearance of being modern and well equipped, was described as lacking in modern methods, equipment and teachers. In 1965-66 the State appropriated an above average per pupil amount of \$262 which was barely matched by local school districts in Greene County. This was contrasted with Montgomery County that same year spending 3-1/2 local dollars for each State dollar appropriated for education. "Local economic ability", the transcript reads, "again comes into focus as the primary force which determines the level of education for a given area". Findings of a U. S. Department of Agriculture report "White Americans in Rural Poverty" were noted as being similar to the all rural western half of Greene County. Cites was the finding that "Educational levels, as in all poverty situations, are low. Likewise, the quality, staffing and facilities of educational institutions trail those of non-poverty locations". Area economic development depends upon industrial and commercial development; attraction of new industry requires, among other things good schools.

In Indiana County per pupil expenditure varied from \$650 in Indiana Borough to \$400 in Penns Manor School District in the northern part of the county.

2. PROPOSALS

Greene County witnesses reported that county had a head start program for three summers and had submitted plans for another 12 week summer program to O.E.O. to serve all five county school districts.

Indiana, Clarion and Northumberland testimony revealed requests for more head start programs. A Northumberland County witness from Lock Haven Area Joint Schools reported the need to continue their "follow through" program which covers 400 school children and their families and is designed to follow through on head start programs with emphasis on developing to the fullest potential possible the physical, emotional, social, and intellectual attributes of each child.

In Greene County it was reported a vo-tech school costing \$1.9 million had been approved and was to be constructed in 1969 in Waynesburg. A witness suggested that the State provide funds and programs that will utilize their vo-tech school to train individuals to meet the needs of their industry.

In Clarion County a witness stated a vo-tech school would help children escape the poverty way of life by training them in some skill.

Indiana County witnesses voiced urgent need to try again to get a vo-tech school primarily for high school students but also to be available for adults as well.

In Northumberland County a representative of the Lower Anthracite Regional Economic Development Organization, Inc. (an organization of 13 communities in northern Northumberland County known as LAREDO) requested that an actual training school be established for operating heavy equipment such as earthmovers, steam shovels, loaders, and graders.

A representative of the Susquehanna Economic Development Association (SEDA) reported that organization will continue to assist in improving vocational education opportunities in the region by assisting local units of government and quasi-public bodies as it has in the past, such as its help in securing grants which helped make possible construction of new vo-tech schools.

3. COMMENTS

The problems associated with the school districts represented in the poverty hearings and the efforts of these districts to educate their children will generally have to be handled by the Department of Education with legislative guidelines. Testimony in the hearings concerning the finances of the districts is too inadequate to make any specific recommendations other than for pre-school or vocational training.

The State's new school subsidy should have important consequences for these counties. In addition to raising the level of State support to \$620 per pupil in 1970-71, and \$665 in 1971-72, Act No. 88 of 1971 makes other, more significant changes for districts in these counties.

The "poverty" payment of \$120 per pupil from low income families is raised to \$140. Additional poverty payments are to be paid to districts with substantial proportions of such students, as follows: The State shall pay a special assistance grant to each school district on account of children of low income families in an amount equal to the sum of the number of

children of low income families in the district multiplied by the grant per poverty pupil fixed for the percentage category of poverty pupils in average daily membership in the district according to the following table:

Percentage Category of Poverty Pupils in Average Daily Membership	Grant per Poverty Pupil
15-19.9 per cent	\$25
20-24.9 per cent	50
25-29.9 per cent	75
over-30 per cent	\$125

Low population districts (under 50 persons per square mile) have been receiving a special sparsity payment. This continues under the new law, which also provides for a modified sparsity payment for those districts increasing in population over the 50 persons per square mile maximum.

Of special interest to these districts is the "bootstrap" provision of the new act. It provides a guaranteed \$550 per child expenditure in any district levying a tax rate on market value of 16 - 24/100 mills (.01624), or better, and such tax will not return an amount, including state aid (under the basic grant) of \$550 per student, the State makes up the difference. This approach is based on a legislative decision to ensure this level of expenditure (if the district is willing to make a reasonable local effort), even though the taxable wealth of the district is relatively low. In conjunction with the basic state educational subsidy, which does take into account district wealth, the bootstrap concept should be an aid to poorer districts.

Considerable attention has been paid to educational subsidies in urban and suburban areas. Not enough comments have been made about an unusually comprehensive program for less wealthy rural areas.

The following data from the Pennsylvania State Education Association indicates the impact of these programs, by county. (The data is based on information supplied by the school districts to the Department of Education, which compiled these amounts as the estimated increased costs for the next two years if the legislation was enacted which did become Act 88).

ESTIMATES

	Total increase for 1971-72	Additional payments projected for 72-73
Fayette	\$1,697,799	\$1,683,113
Greene	449,872	289,621
Washington	1,576,501	1,452,470
Indiana	457,438	518,729
Clarion	391,750	549,519
Northumberland	804,255	697,994
Snyder (has 1 Sch. Dist.)	12,300	104,679
Union	55,994	330,710
Montour (has 2 Sch. Dist.)	62,588	329,443

Testimony in the hearings continually voiced needs for pre-school and vocational education and these warrant pursuing by state government and school districts. At the 1971 conference of the Education Commission of the States, an educator argued that in times of limited fiscal

resources, available funds should be redirected to areas indicating greater educational productivity and he cited pre-school and vocational education as two areas especially where additional funds are warranted.

The Department of Education, Welfare and perhaps DCA could help establish, or augment existing, head start and follow through programs in the areas represented in the poverty hearing. Efforts could be made by the Departments of Education and Commerce to assist districts in these areas to get Appalachia funds for vo-tech schools; and perhaps DCA and Labor and Industry could assist with developing and establishing training programs for the adult unemployed in those areas.

VIII. TRANSPORTATION

I. PROBLEM

a. General

Testimony relating to transportation fell into three general areas: Inadequacy or absence of public transportation services, highway construction and maintenance priorities and the specialized transportation needs of particular population groups. No fewer than ten witnesses, most of them representing service agencies or organizations, testified in some way to the inadequacies of public transportation. As one expressed it, "Public transportation, if it does exist, only does so in the highly populated areas of the county, and is often antiquated, priced too high or not extended far enough to service the people who are really in need."

This condition, as do other service inadequacies in rural areas, tends to aggravate the poverty problem and to become cyclical. Three of the witnesses observed (in the words of one planner): "Lack of public transportation results in the immobility of the limited income and elderly people to accept employment or training opportunities in many instances."

Five witnesses at various hearings testified to the actual or expected favorable effects of the more recent construction of expressways through rural Pennsylvania; they were described as important new links with urban areas. However, at least three who spoke felt that the construction of superhighways has been at the expense of improvement and maintenance of local access roads, some of which were described in such poor condition that they will soon be irreparable and will have to be reconstructed.

In addition to those unable to reach potential employment, the elderly, the children and particularly the poor in these classifications are especially penalized by the inadequacy of transportation services. One witness stated, "The rural aged poor living in isolation from services on which their very well-being may depend": These services were identified by various witnesses as shopping centers, doctors, recreation and even church. A worker in a Title I program for poverty children noted that the program's coverage had to be limited because transportation costs would have taken up most of its budget.

Specific problem areas relating to transportation in rural areas are summarized as follows:

b. The areas of the State with the most open land available for development are also those with the least access. This problem relates both to transportation services, and the lack of service and interior roads.

c. While more and better highways were generally endorsed, it also was pointed out that highway construction itself may represent a problem in its high cost, in its destruction of housing (already in short supply) and land for development, and because its economic impact on a particular area tends to be short-lived.

d. For those who have transportation available, usually automobiles, the higher costs of this transportation tend to dilute the "lower cost of living" associated with rural areas. For those without transportation and who are unable to reach larger service centers, higher and even exorbitant prices at local stores have the same effect.

e. Rural dispersion makes good public transportation economically infeasible, at the same time that this service would be of relatively higher value for rural residents.

f. The transportation situation strongly encourages continued poverty and dependency on welfare, because the assistance recipient cannot buy a dependable auto which would enable him to reach employment. A caseworker described this syndrome of failure of a \$200 car which leads to absenteeism and soon to hopelessness and continued unemployment.

g. Since the State does not reimburse school districts for kindergarten transportation, where districts will not assume this cost the poverty children, who might benefit the most from this early education, are least likely to be served.

h. As was noted above, the inadequacies of public transportation at least reduce the quality of life for many rural residents, and in more than a few cases may be of positive danger to their health.

i. While only mentioned briefly by witnesses, the general transportation situation is a severe economic liability to rural Pennsylvania, and may be basic to the entire effort to upgrade the economy as the only reasonable long-range solution to the rural poverty problem.

2 PROPOSALS

Suggested solutions to rural transportation problems generally followed three directions:

a. Reordering of State highway priorities. This most commonly meant a shift in emphasis from building expressways to improvement, maintenance and construction of local and feeder roads. One planner suggested a capital budget-six year plan for secondary roads, similar to the present programs for new highways. A panelist noted that PennDOT has stated it will put increased emphasis on highway maintenance, but probably not to the extent recommended by witnesses.

b. Improvement of public transportation services. Perhaps significantly, no witness suggested that such improvement is feasible for privately owned carriers. Most commonly suggested (three persons each) were legislation and funds to permit and finance the use of school buses during off-hours to transport particularly the elderly and ailing poor, and institution of "dial-a-ride" systems using minibuses, or rotating routes which would serve different areas on different days. Also suggested was State provision of minibuses to social service centers. A United Fund representative noted that adding transportation to a health screening program in its second year more than doubled the participation. Also suggested were subscription-type transportation services, and elevated catwalks in urbanized areas.

c. Concentration of development in areas best served by transportation. This approach was represented by suggestions for new towns, or "growth centers" expanded from existing communities, in areas close to major highways and airports. Also included was a suggestion for Habitat type residential clusters (presumably for the elderly and poor) to sidestep the transportation problem.

3. COMMENTS

While comprehensive planning and programming were suggested by witnesses to solve most problems of rural poverty, only one, in a detailed, extensive prepared program, suggested that funds for resolution of transportation problems for the aging be made available to local planners. By long tradition, Pennsylvania has left planning and provision of public transportation services to private initiative, under regulation by the Public Utility Commission, and has looked to a single State department for planning, construction and maintenance of the more important parts of its highway system. We have little background in consideration of, or planning for, a single intermodal transportation system intricately associated with the entire economy.

The transfer of State programs for assisting mass transit to the new Department of Transportation, and a new emphasis by that department on secondary roads, represent steps toward solution of the problems presented. However, assistance programs have been concerned primarily with maintaining services which may otherwise fail, and these serve urbanized areas. Legislative efforts have been made to make school buses available for other uses during the day, but if we are to continue to depend upon private enterprise to provide the bulk of public transportation services, safeguards will be needed to prevent further shrinkage of their market.

The Department of Transportation is in the process of developing a Statewide, all-modal transportation plan, and responsibility at the State level for solutions to most rural transportation problems rests primarily with PennDOT. The Departments of Community Affairs, Education, Welfare and Health, however, should approach the transportation problems of the poor, especially the aged, the young and the handicapped, by development of programs of specialized services on a regional basis in cooperation with each other and with the Public Utility Commission, local government officials, planners, and representatives of service organizations.

IX. THE PSYCHOLOGY OF RURAL POVERTY

I. PROBLEM

Throughout the record of all three hearings, witnesses referred in various ways to the adverse effects of poverty on the attitudes and the mental health of its victims and the attitudes of the rest of the community toward them.

The SEDA representative related attitude problems to many others:

What are some of the problems of the hard core poverty cycle which keep people from breaking out? They are legion: Old age, physical disability, mental retardation, hearing loss, failing vision, poor health, malnutrition, overweight, lack of confidence, limited social skills, poor appearance, poor grooming, bad personal habits, bad work habits, unreliable transportation, isolation, illiteracy, no marketable employment skill, lack of employment opportunities, bad associates, inescapable nature, neurotic behavior, no working capital, inadequate clothing, too many children, defeatism, discouragement, disaster loss - the list is endless. Most of the families who are trapped in hard core poverty situations are beset by so many problems that despair finally takes over and despair gives way to resignation or apathy.

Another witness, a Follow-Through director for a school district, identified and submitted a detailed description of what she called a "culture of poverty," a particular life-style of the rural poor. She stated that seldom do they become angry, and almost never physically violent; the principal attitudes are apathy and hostility toward anyone representing the "establishment" based on fear and distrust. She noted, for example, reluctance to enroll children in the program. She and others stated that the poor are unaccustomed to an eight-hour, five-day work week and may walk off to go hunting, a reaction exasperating to the community.

The long history of poverty itself was referred to as promoting apathy: "We have lived with the conditions of poverty in Indiana County for so long that we have come to accept them as inevitable, unavoidable." Another witness noted the demoralizing effect on poverty children of long-time family unemployment and financial instability; others working in programs directed at children testified that they were able to help the children's attitudes but not those of the parents.

Aside from the psychological characteristics of the poor themselves, several witnesses identified a community attitude of oppression, retaliation and aggressiveness toward the poor. One woman testified to a bitter confrontation with a dog-catcher which resulted in a severe fine; other incidents related to threats against persons associated with such activism as complaints to official agencies and letter-writing. While most of the rural poor are white, racism is a factor in some communities; an extensive human relations program for Uniontown was entered into the record.

Still another attitudinal problem relates to the solidification of status and power structures in poor communities. The director of a county industrial development corporation stated:

The older residual population of these areas has been unable to provide local leadership skills and trained personnel for government. All of this has further tended to emphasize the status quo position of some groups, usually including the existing power structure and frequently the large land holders as it is easier to keep political power with a declining population than in a growth area.

In line with this was a finding by a VISTA worker that the program had produced a discernible change of attitude among the poor, but not among the personnel of official agencies; another witness, testifying about the mobile health unit, noted: "There is no apathy with those who need it, but there is an awful lot of apathy in those (public agencies) who have the money."

A witness noted that fragmentation of services results in a variety of social workers - welfare, probation, health - dealing with each family, and none of them in a position to approach the families' total problems. This form of governmental response to poverty problems was cited as a factor contributing to attitudes.

2. COMMENTS

The psychology of poverty in urban settings has been well studied by now; it is likely that many conclusions may be applicable to the rural poor with the exception that isolation and the tight community structure probably tend to intensify the problem. It should be recalled, however, that the urban poor were comparatively apathetic in not too distant history, and the effects of social programs among the rural poor have not yet developed or been strongly expressed.

Recommendations for attitude improvement, per se, were restricted to educational programs for the poor, including parents; coordination of delivery of social services; and community human relations and sensitivity programs. Because of the close interactions of attitude, status and economics within a community, however, processes corresponding to those which are occurring in urban areas can be expected to affect the rural areas at some time. Any line of action which improves the rural economy, absolutely or relatively, will change attitudes, and such an economic effect probably is the only one which will produce the massive changes indicated.

Senator STEVENSON. The hearing is now adjourned.
(Whereupon, at 2 p.m., the subcommittee recessed, to reconvene at the call of the Chair.)

○